

**Project Manager:** Tanya Cannady, CDM, CPA

**Project Manager's Title:** General Manager

**Project Contact Email:** tcannady@snldistrict.org

**RFP #:** 20-07

**RFP Name:** Management, Operation and Maintenance of Sun 'n Lake Golf Club and Island View Restaurant

**Pre-Bid Meeting Date and Time:** October 1, 2020 @ 10:00am

**Advertising Dates:** 9/10/2020, 9/11/2020, 9/16/2020, 9/17/2020, 9/18/2020, 9/23/2020

**Bid Opening Date:** Tuesday, October 27, 2020

**Bid Opening Time:** 2:00pm

**Proposal Originals Needed:** One (1)

**Proposal Copies Needed:** Eight (8)

**RFAI Due Date:** 10/13/2020

**Addendum Date:** 10/15/2020

**Liquidated Damages Written and (#):** N/A

**Date:** 8/20/2020

## REQUEST FOR PROPOSALS

Sun 'n Lake of Sebring Improvement District  
Tanya Cannady, General Manager  
5306 Sun 'n Lake Blvd.  
Sebring, FL 33872  
e-mail: [tcannady@snldistrict.org](mailto:tcannady@snldistrict.org)  
Facsimile Number: 863-382-2988

RFP NO.       **20-07**  
  
OPENING TIME: 2:00pm  
OPENING DATE: **10/27/2020**

### **THIS IS NOT AN ORDER**

**YOU ARE INVITED TO PROPOSE ON THE FOLLOWING:**

#### **Sun 'n Lake of Sebring Improvement District**

Management, Operation and Maintenance of Sun 'n Lake Golf Club and Island View Restaurant

**SEE ATTACHED PROJECT DOCUMENTS**

The complete set of proposal documents is available on the District web site at [www.snldistrict.org](http://www.snldistrict.org) or call 863-382-2196

**Proposals must be received in the District Office before:**

**Time: 2:00pm Date: October 27, 2020**

State of Florida Tax Exemption Number is  
85-8012528797C-8

Signed: Tanya Cannady , General Manager

Date: 8/20/2020

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**Items in bold are required to be returned with proposal submittal.**

**LEGAL AD**

**REQUEST FOR PROPOSAL**

Sun 'n Lake of Sebring Improvement District  
Omar DeJesus, CPA, Finance Director  
5306 Sun 'n Lake Blvd.  
Sebring, FL 33872  
e-mail: odejesus@snldistrict.org  
Facsimile Number: 863-382-2988

RFP NO: 20-07

OPENING TIME: 2:00pm

OPENING DATE: **10/27/2020**

**THIS IS NOT AN ORDER**

**YOU ARE INVITED TO PROPOSE ON THE FOLLOWING:**

**Sun 'n Lake of Sebring Improvement District**

**Management, Operation and Maintenance of Sun 'n Lake Golf Club and Island View Restaurant**

RFP No. 20-07

The Sun 'n Lake of Sebring Improvement District hereby requests proposals from a well-qualified individual, or firm(s) (hereafter, proposer), to enter into a management agreement for the management, operation, and maintenance of the Sun 'n Lake Golf Club ("Golf Club"), and Island View Restaurant. The District is requesting qualified proposers to provide golf course and pro shop operations, golf course maintenance, food, beverage, banquet services, facility maintenance and management services in accordance with the specifications and conditions in this Request for Proposal (hereafter, "RFP"). Specifications and Bid Documents can be found at [www.snldistrict.org](http://www.snldistrict.org) or by calling 863-382-2196. There will be a mandatory pre-bid meeting on October 1, 2020 at 10:00am located at the Island View Restaurant 35468 Tee Time Cir, Sebring, FL 33872.

Sealed proposals may be hand delivered or mailed to the District Office located at 5306 Sun 'n Lake Blvd, Sebring, FL 33872, RFP #20-07, Attention Tanya Cannady, General Manager by 2:00 pm on **Tuesday, October 27, 2020**. Proposers must provide one original and eight (8) copies of their proposal.

The complete set of proposal documents are available on the District web site at [www.snldistrict.org](http://www.snldistrict.org) or call 863-382-2196

**Proposals must be received in the District Office before:**

**Time: 2:00pm Date: 10/27/2020**

State of Florida Tax Exemption Number is  
85-8012528797C-8

Signed: Tanya Cannady, General Manager  
Date: 8/20/2020

ADVERTISE 9/10/2020 & 9/17/2020

HIGHLANDS TODAY

## **GENERAL CONDITIONS**

**PROPOSAL:** To insure acceptance of the proposal, follow these instructions.

**SEALED PROPOSALS:** All Proposals must be submitted in a sealed package. The submitted proposal will contain One (1) original and Eight (8) marked copies. The face of the package will contain the date and time of the proposal opening and the proposal number. Proposals not submitted on the District's forms may be rejected. All proposals are subject to the conditions specified herein and on any attached sheets, specifications, special conditions or vendor notes. Any changes to the proposal document must be in ink and must be initialed.

**PROPOSAL OPENING:** Shall be on the date and at the time specified in the proposal documents. It is the proposer's responsibility to assure that their proposal is delivered at the proper time and place of the proposal opening. Proposals which for any reason are not so delivered shall be returned to the proposer unopened. Offers by telephone or facsimile cannot be accepted.

**CONFLICT OF INTEREST:** The award hereunder is subject to Chapter 112, Florida Statutes. All proposers must disclose with their proposal the name of any officer, director or agent who is also an employee of the District. Further, all proposers must disclose the name of any District employee who owns, directly or indirectly, any interest of ten percent (10%) or more of the proposer's firm or any of its branches. Gifts from proposers to Employee's or Employee's Families is strictly prohibited per Florida Statutes 112.313 and 112.3148.

**AWARDS:** As the best interest of the District may require, the right is reserved to make award(s) by individual items, group of items, all or none, or a combination thereof, with one or more suppliers and to reject any proposals or waive any informality or technicality in proposals received. The District intends to select a proposal from the highest qualifying responsible bidder from this bid. Vendors who are awarded contracts are asked to extend the same pricing and conditions to other entities who may want to "piggy-back" on a District Bid or Request for Proposal.

**DISPUTES:** In case of any doubt or difference of opinion as to the items to be furnished hereunder, the decision of the District General Manager shall be final and binding on both parties.

**PROTEST:** Failure to file a protest within the time prescribed in section 120.57(3), Florida Statutes, shall constitute a waiver of any right to protest the terms, conditions, and specifications contained in the RFP, including any provisions governing the methods for ranking bids, proposals, or replies, awarding contracts, reserving rights of further negotiation, or modifying or amending any contract, or to protest the decision or intended decision concerning a RFP contract award.

**LEGAL REQUIREMENTS:** Federal, State, County and local laws, ordinances, rules and regulations that in any manner effect the item(s) covered herein apply. Lack of knowledge by the proposer will in no way be cause for relief from responsibility.

**LIABILITY:** The vendor shall hold and save the District, its officers, agents and employees harmless from liability of any kind in the performance of or fulfilling the requirement of the Purchase Orders, which may result from this proposal.

**NOTE: ANY AND ALL SPECIAL CONDITIONS ATTACHED HERETO WHICH VARY FROM THESE GENERAL CONDITIONS SHALL HAVE PRECEDENCE.**

## **PUBLIC ENTITY CRIME INFORMATION STATEMENT**

All invitations to bid as defined by Section 287.012(11), Florida Statutes, requests for proposals as defined by Section 287.012(16), Florida Statutes, and any contract document described by Section 287.058, Florida Statutes, shall contain a statement informing persons of the provisions of paragraph (2)(a) of Section 287.133, Florida Statutes, which reads as follows:

“A person or affiliate who has been placed on the convicted vendor list following a conviction for a public entity crime may not submit a bid on a contract to provide any goods or services to a public entity, may not submit a bid on a contract with a public entity for the construction or repair of public building or public work, may not submit bids on leases of real property to a public entity, may not be awarded or perform work as a contractor, supplier, subcontractor, or consultant under a contract with any public entity, and may not transact business with any public entity in excess of the threshold amount provided in Section 287.017, for CATEGORY TWO for a period of 36 months from the date of being placed on the convicted vendor list.”

All vendors who submit a Bid or Request for Proposal to Sun ‘n Lake of Sebring, are guaranteeing that they have read the previous statement, and by signing the bid documents, are qualified to submit a bid under Section 287.133, (2)(a) Florida Statutes.

## **GENERAL SPECIFICATIONS**

### **1. DESCRIPTION OF SERVICE**

The Sun 'n Lake of Sebring Improvement District (hereafter "the District") is seeking proposals from a well-qualified individual, or firm(s) (hereafter, proposer), to enter into a management agreement for the management, operation, and maintenance of the Sun 'n Lake Golf Club ("Golf Club") and Island View Lakefront Restaurant. The District is requesting qualified proposers to provide golf course and pro shop operations, golf course maintenance, food and beverage operations, banquet services, facility maintenance, and management services in accordance with the specifications and conditions in this Request for Proposal (hereafter, "RFP").

The District provides a variety of services to the golfing community and residents via a public golf course and is seeking a proposer to provide management of pro shop operations, golf course maintenance, as well as, food and beverage services. The District seeks an individual, firm, or joint venture of individual firms who can demonstrate substantial experience in the operation, maintenance and management of a public access golf course, including all aspects of a clubhouse and quality food service operation. It is the District's objective to obtain the best financial arrangement for the course, while still providing a high standard of service to members and residents, as well as, continuing the quality maintenance and operational management currently carried out.

### **2. EFFECTIVENESS AND DURATION**

The agreement(s) resulting from this solicitation is for the items and materials described in this proposal document.

### **3. REFERENCES**

Proposers will complete and return, with the Proposal, a list of at least three (3) client/customer references of including company name, address, contact person, telephone number and date you provided the equipment/services to the client. The List of References form provided in these documents should be used. If the Proposer already has a preprinted list of references, then indicate on the District's List of References form "See Attached List." Attach the preprinted list to the District's form and submit both with the Proposal.

### **4. REQUIRED DOCUMENTS**

The following documents included in this Request for Proposal package are required to be submitted along with the Information Requested for this proposal:

- 4.1 Proposal Form stating Annual Managerial Fee Structure
- 4.2 List of at least three (3) References with properties similar to the District

- 4.3 Proposal Content – To Include:
- Transmittal Letter
  - Executive Summary
  - Qualifications & Responsibilities of Key Personnel
  - Proposer’s Qualifications and Capabilities
  - Proposer’s Philosophy
  - Description of Proposed Services
  - Experience with Capital Improvements
  - Description of Customer Service Approach
  - Marketing Plan
  - Non-Compete Requirement
  - Financial References
  - Financial Statements
  - Administrative and Operational Support Capabilities
  - Proposed Terms and Conditions
  - Pro Forma
- 4.4 Proof of Licenses and Certificate of Insurance
- 4.5 Non-Collusion Affidavit of Proposer
- 4.6 Conflict of Interest Statement
- 4.7 Disputes Disclosure Form

**5. EFFECTIVE PERIOD OF PROPOSALS**

All proposals must state the period for which the proposal shall remain in effect. Such period shall not be less than 180 days from the proposal date.

**6. RIGHT OF REJECTION BY THE DISTRICT**

Notwithstanding other provisions of this RFP, the District reserves the right to award this contract to the supplying firm that best meets the requirements of the RFP, and not necessarily, to the lowest bidder. Further, the District reserves the right to reject any or all proposals prior to execution of the contract, with no penalty to the District.

**7. CONTRACT NEGOTIATIONS**

After review of the proposals, the District intends to enter into contract negotiations with the selected supplying firm. These negotiations could include all aspects of equipment, service, and fees. If a contract is not finalized in a reasonable period of time, the District will open negotiations with the next ranked firm.

**8. AWARD OF CONTRACT**

The proposer to whom a contract is awarded shall be required to enter into a written contract agreement with the District in a form approved by legal counsel for the District. This RFP and the proposal, or any part thereof, may be incorporated into and made a part of the final contract. The District reserves the right to negotiate the terms and conditions of the contract with the selected proposer.



**9. CONTRACT TERM**

**To be determined.**

**10. QUESTIONS**

All questions concerning this RFP shall be submitted in writing to the name and address below before **October 13, 2020**. All responses to questions will be addressed in the form of an addendum issued after the question deadline to be posted with the RFP on the District web site [www.snldistrict.org](http://www.snldistrict.org) by **October 15, 2020**

Tanya Cannady, CDM, CPA, General Manager  
Sun 'n Lake of Sebring Improvement District  
5306 Sun 'n Lake Blvd.  
Sebring, FL 33872  
Fax number: 863-382-2988 / E-mail: [tcannady@snldistrict.org](mailto:tcannady@snldistrict.org)

Contact made with any other employee of, and/or elected officials of the District regarding this RFP will be grounds for the rejection of the contracting individual/firm submittal.

**11. SUBMITTAL OF PROPOSAL**

All firms submitting a proposal will need to submit One (1) marked original and Eight (8) copies of their documents in a sealed package. The left front of the package shall read:

**Management, Operation and Maintenance of Sun 'n Lake Golf Club and Island View  
Restaurant**  
RFP # 20-07  
Due Date: **October 27, 2020**.– Time: 2:00pm  
Company Name and Address

Documents will need to be mailed or hand delivered to:

Tanya Cannady, General Manager  
Sun 'n Lake of Sebring Improvement District  
5306 Sun 'n Lake Blvd.  
Sebring, FL 33872

All documents will need to be delivered to, or received in the mail by the due date and time. Any document submitted or received after this date and time shall not be considered and will be returned to the sender unopened. The District takes no responsibility for late mail or late delivery service.

# SCOPE OF SERVICES

Management, Operation and Maintenance of Sun ‘n Lake Golf Club and Island View Restaurant

## 1. Introduction

Sun ‘n Lake of Sebring Improvement District (hereafter, “District”) is pleased to offer an exceptional and exciting opportunity for a well-qualified entity (hereafter, “Proposer”) to enter into a management agreement for the management, operation, and maintenance of the Sun ‘n Lake Golf Club (“Golf Club”). The Golf Club includes the golf courses, pro shop, clubhouse and Island View Restaurant. The District is requesting qualified proposers to submit proposals to provide golf course and pro shop operations, golf course maintenance, food and beverage operations, banquet services, facility maintenance and management services in accordance with the specifications and conditions this Request for Proposal (hereafter, “RFP”).

### **The District will receive proposals at:**

Sun ‘n Lake of Sebring Improvement District  
Attn: Tanya Cannady  
Sun ‘n Lake Improvement District, General Manager  
5306 Sun ‘n Lake Boulevard,  
Sebring, FL 33872

Written proposals must be received at this address no later than **October 27, 2020**. For more information, please contact Tanya Cannady at the Sun ‘n Lake of Sebring Improvement District Office at (863) 382-2196 or email: [tcannady@snldistrict.org](mailto:tcannady@snldistrict.org).

## 2. Background

The Golf Courses consist of two, eighteen hole championship golf courses: “Deer Run” and “Turtle Run”. Deer Run is a par-72 golf course opened in 1975, a classic Don Dyer designed golf course, featuring long holes. Turtle Run is a par-72 golf course opened in two phases, the first 9-holes in 1990 and the 2<sup>nd</sup> 9-holes in 1999.

## 3. Facilities

The Golf Club’s facilities and golf course include a full driving range, modern clubhouse with full service bar and restaurant, banquet facilities, three offices, maintenance facility, club and private cart storage buildings, fully stocked pro shop with PGA-certified golf pro on staff.

## **Golf Course**

Deer Run features six sets of tees ranging from 5,083 yards to 7,027 yards and has become one of the finest 18-hole, par-72 courses in Highlands County. The practice facility includes a driving range, short game area and two practice putting green.

Turtle Run features four sets of tees ranging from 5,098 yards to 6,496 yards.

Golf Revenues have averaged \$2,373,000 for the past two fiscal years with \$970,000 derived from golf memberships and \$1,000,000 in green fees.

## **Clubhouse**

The clubhouse opened in 2009 with features including a bar, banquet room that accommodates 160, full-service golf pro shop, restroom facilities and three offices. Clubhouse grounds include a banquet lawn for weddings and other special events. The clubhouse was renovated in 2019, expanding seating to 360 total capacity and kitchen was expanded to include banquet and a la carte areas.

Food and Beverage Revenues have averaged \$1,189,000 in the past two years with \$860,000 derived from food sales and \$313,000 in alcohol sales.

## **Website:**

Additional information about the District and the Golf Club is available on our websites at: <http://www.snldistrict.org> and <http://www.islandviewrestaurant.com>

## **4. Scope of Work**

### **General Scope of Work**

The services desired at the Golf Club for the District will include, but are not limited to operating and managing the golf course facilities, providing all golf course maintenance functions, marketing, golf instruction, and managing the food, beverage and banquet services. The Proposer's work will be performed under a management agreement, for a negotiated term tentatively commencing on or around **[DATE], 2020**.

The successful Proposer will operate under a management agreement with the District, and the proposal may include all services under one agreement. As an alternative, the Proposer may instead describe an arrangement whereby the food, beverage and banquet center operations are performed by a separate individual or firm, through a joint venture, lease or other contractual agreement with the Proposer. However, the District must approve any such agreement and the District will not be a party to the agreement to provide such food, beverage, and/or banquet functions. The successful Proposer will be the primary responsible party under an agreement with the District, and the golf operation will serve in the lead role.

The District's desired outcome is the seamless, delivery of golf operations, course maintenance, and facility management, and food, beverage and banquet services.

The selected Proposer must have staff with a demonstrated ability to work in harmony with each other, the golfing community, banquet and food service customers, District staff and administration and the general public to meet golf club goals and customer expectations. The Proposer must also have a qualified golf staff that stays current with golf industry practices and trends, implement current standards of turf maintenance, hold insect and pesticide applicators licenses, and are knowledgeable of environmental issues and mitigations specific to Central Florida. The selected Proposer must also provide qualified food and beverage staff who stay current on industry food preparation standards and trends.

The selected Proposer will work cooperatively with District staff in the development of the District's operating and capital budgets and shall prepare monthly updates of budget status, business performance, and future activity plans.

Representatives of the selected Proposer shall meet at such times as may be required to meet with representatives of the District to review performance under the agreement, review monthly financial reports, and discuss overall management and operation, as well as marketing strategies of the Sun 'n Lake Golf Club.

The selected Proposer shall assign a representative to attend meetings with District staff and the District's Supervisors, as necessary.

## **Specific Scope of Work**

The following description is provided as a minimum guideline only. The operator shall be expected to work with the District to clarify and finalize a detailed scope of services, described within each of the following business units within the general budget approved by the District Board of Supervisors.

### **Golf Course Operation**

As part of the operating expenses of the Golf Club, the successful Proposer shall procure all materials, labor, tools, equipment, furnishings, inventory, supplies and services required for the Proposer to manage all professional services for the golf course, driving range, practice areas, golf pro shop, cart storage and other areas of golf operations. It must ensure the availability and use of a sufficient number of trained personnel each day of the year that the golf course is open. Specific areas of professional services include, but are not limited to: processing tee time reservations and tee sheet management; clubhouse merchandising, on-course player assistance; provision and maintenance of golf car fleet; enforcement of golf course rules and regulations; facilitation of play during operating hours; tournament and outing promotion and reservations; golf instructional program; support for men's and women's clubs/leagues and youth programs; providing oversight and working cooperatively with the food and beverage staff; developing and implementing golf course and clubhouse marketing strategies; collecting and accounting for all fees received; appropriate cash handling and reporting.

The District recommends all accounting functions to be recorded within its existing software. Current Point of Sale systems in place for golf and restaurant operations also recommended to be utilized. The District shall be deemed sole owner of the software and information.

A qualified, experienced, full-time manager shall directly oversee and implement all golf facility operations. The staffing plan shall include a PGA/LPGA Class "A" Professional for which a resume must be submitted and will oversee on site staff to manage the pro shop and clubhouse during operating hours. The proposal shall include in the staffing plan proposed staffing in the pro-shop by season and the employee qualifications. An organizational chart must be submitted to reflect the Proposer's plan for providing adequate staff and minimum credentials for each position. The Golf Club is open to the public on a daily, year-round basis. The successful operator will also be responsible for marketing and guest relations, promotions, staff training and special events.

## **Fees**

Maximum green fees and membership fees are set by the District based on recommendations from the Operator. Fees are reviewed and set by the District Board of Supervisors annually.

## **Golf Course and Facility Maintenance**

As part of the operating expenses of the Golf Club, the successful Proposer shall procure all materials, labor, tools, equipment, licenses, supplies and services required to maintain the golf course property in a manner that promotes and supports operations of golf course maintenance standards and at established frequencies. It must ensure availability and use of sufficient number of trained personnel each day of the year that the golf course is open. Specific areas of care and maintenance include, but are not limited to: golf course tees, greens and collars; fairways; irrigated and non-irrigated rough; bunkers; water features; cart paths; bridges and crossings; practice areas; markers and tee signs; putting/shipping surfaces; fencing and turf; golf pro shop; driving range turf; hitting areas, and buildings; signage; storage areas; maintenance yard; cart storage; parking areas; and all restrooms including those on-course, within the maintenance facility, and in the clubhouse, as budgeted and approved by the District.

The chosen proposer will agree to full financial responsibility and accounting for all leases associated with the Sun 'N Lake Golf Club. These leases include turf maintenance equipment and golf cart fleet. The proposer will agree to assume full liability for the maintenance of the aforementioned fleet. All renewals to be issued by District RFP purchasing requirements and approved by the Board of Supervisors.

The operator will be responsible for all standard golf course maintenance activities, including golf course tees, greens mowing, fairway mowing, rough mowing, aeration on schedules as agreed and top dressing of greens, tees, and fairways, tree trimming and chipping, weed abatement, bunker cleaning, watering as appropriate on a regular basis, irrigation operation and repair, fertilization of turf, maintaining the turf areas at the driving range, pest control, maintenance of landscaping/horticulture adjacent to and around the clubhouse building, entryways and parking lot, plowing, course cleaning and repairing after major storms, maintenance of the golf facility, equipment and maintenance and repair, any and all necessary seasonal adjustments and responses to changes in weather, and other industry standard-

maintenance activities throughout the golf complex. The operator will have specific knowledge of the care and turf repairs including greens. Chemical maintenance for the waterbodies surrounding the golf course will be administered by the District.

Duties will also include implementing and managing an Integrated Golf Course Management Plan (for chemicals and pest management) and satisfying all environmental requirements related to the maintenance of a golf course and the adjacent open space lands and trails. A qualified, experienced, full-time "Class A" member of the Golf Course Superintendents Association of America (GCSAA) shall directly supervise all golf course maintenance. The operator will maintain all areas of the facility according to local, and state clean water, hazardous material and safety regulations.

## **Clubhouse and Food & Beverage Services**

The successful Proposer shall operate the clubhouse and banquet center facilities using a sufficient number of trained personnel each day of the year that the golf course and the restaurant and bar is open. The successful Proposer shall develop a food & beverage business, procure and maintain all materials, labor, supplies, services, furniture, food and beverage inventory, and kitchen and dining equipment and accessories required to provide a high quality food and beverage experience and to attract the maximum volume of business available.

Specific areas of responsibility include, but are not limited to, managing all food preparation and service facilities; menu planning and development; providing high quality food and beverages; operating a restaurant facility; managing special events; providing on-site banquet catering services; coordinating tournament food and beverage services; operating on-course snack cart services, developing and implementing marketing strategies; working cooperatively with the golf course staff; collecting and accounting for all revenues, cash handling and reporting; and maintaining the clubhouse interior, including all interior restrooms and lobby areas.

## **Taxes**

Collection and payment of sales taxes, Clubhouse property taxes and tangible tax are the responsibility of the successful Proposer.

## **Utilities**

The Proposer is responsible for the payment of all utilities for the Clubhouse and all functions.

## Records and Audits

Proposer shall keep full, complete and proper books, records and accounts of the gross receipts both for cash and/or credit of each separate concession, division, and subsidiary activity at any time operated on the premises. Said books, records and accounts, including any sales tax reports that proposer may be required to furnish (including any concession, division or subsidiary activity) to any government or governmental agency are deemed a public record under Florida law including the requirements under Florida Statutes 119.0701.

Record-keeping and Operational reporting should be separated for Golf and Restaurant Operations. Accounting and Point of Sale Systems are available and recommended to be used. All software to be deemed as solely owned by the District. Any deviations or proprietary software should be explicitly stated as such.

## Miscellaneous

1. Liquor License- the District maintains a liquor license. All alcoholic beverage services shall be provided pursuant to the District liquor license.

## Indemnification Insurance

1. **Indemnification:** The successful Proposer agrees to indemnify and hold harmless the District, its Board of Supervisors, employees, officers, supervisors, agents and owners from any and all claims, actions, and/or suits (including attorneys' fees) arising directly or indirectly from any act or omission of its manager, its employees, officers or supervisors. Proposer and its managers shall similarly protect, indemnify and save harmless the District, its officers, officials, employees, volunteers and agents against and from any and all claims, costs, causes, actions and expenses including but not limited to legal fees, incurred by reason of any action if Proposer, Proposer's employees, agents, officers or directors inclusive of Proposer's breach of any of its obligations under, or Proposer's default of, any provision of the contract.
2. **Insurance:** During the term of this agreement, the Proposer agrees to maintain the types and in the amounts listed below:
3. **Cross-Liability Coverage:** If the proposer's liability policies do not contain the standard ISO separation of insured's provision, or a substantially similar clause, they shall be endorsed to provide cross-liability coverage.

Proposer shall procure and maintain for the duration of the contract insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder and the results of that work by the Contractor, his agents, representatives, employees or subcontractors.

### MINIMUM SCOPE OF INSURANCE

Coverage shall be at least as broad as:

- a. **Commercial General Liability (CGL):** Insurance Services Office Form CG 00 01 covering CGL on an “occurrence” basis, including products and completed operations, property damage, bodily injury and personal & advertising injury with limits no less than \$2,000,000 per occurrence. If a general aggregate limit applies, either the general aggregate limit shall apply separately to this project/location (ISO CG 25 03 05 09 or 25 04 05 09) or the general aggregate limit shall be twice the required occurrence limit.
- b. **Automobile Liability:** ISO Form Number CA 00 01 covering any auto (Code 1), or if Contractor has no owned autos, covering hired, (Code 8) and non-owned autos (Code 9), with limit no less than \$1,000,000 per accident for bodily injury and property damage.
- c. **Workers’ Compensation:** as required by the State of California, with Statutory Limits, and Employer’s Liability Insurance with limit of no less than \$1,000,000 per accident for bodily injury or disease.
- d. **Professional Liability (Errors and Omissions):** Insurance appropriate to the Contractor’s profession, with limit no less than \$1,000,000 per occurrence or claim, \$2,000,000 aggregate. (If applicable – see footnote next page)
- e. **Pollution Liability:** applicable to the work being performed, with a limit no less than \$2,000,000 per claim or occurrence and \$2,000,000 aggregate per policy period of one year.
- f. **Liquor Liability:** 2,000,000 per occurrence, 3,000,000 aggregate. Coverage to include: bodily injury, property damage, and loss of means of support.
- g. **Subcontractors:** Proposer shall cause each subcontractor employed by the Proposer to purchase and maintain insurance of the type specified above. When requested by the District, Proposer shall furnish copies of certificates of insurance evidencing coverage for each subcontractor.
- h. **Excess/Umbrella Liability:** A contractor/vendor’s Primary and Excess/Umbrella Liability limits can be added together to meet Risk Management’s minimum required \$5,000,000 limit for an individual line of coverage. For example, if the contractor/vendor is required to carry \$5mm in Commercial General Liability limits and the insurance certificate shows \$1m Commercial General Liability and \$4m or more in Umbrella Liability limits, this would comply with the required \$5mm limit. The minimum required limits may be increased if the scope and/or risk associated with the contractor/vendor activities are changed due to scope of project and the additional risk potentially inherited. The Excess/Umbrella should attach to underlying General Liability, Auto Liability, Employers Liability and Liquor Liability.

If the contractor maintains broader coverage and/or higher limits than the minimums shown above, the Entity requires and shall be entitled to the broader coverage and/or higher limits maintained by the contractor.



## **Other Insurance Provisions**

The insurance policies are to contain, or be endorsed to contain, the following provisions:

### **Additional Insured Status**

The Entity, its officers, officials, employees, and volunteers are to be covered as additional insureds on the CGL policy with respect to liability arising out of work or operations performed by or on behalf of the Contractor including materials, parts or equipment furnished in connection with such work or operations. General liability coverage can be provided in the form of an endorsement to the Contractor's insurance (at least as broad as ISO Form CG 20 10 11 85 or both CG 20 10, CG 20 26, CG 20 33, or CG 20 38; and CG 20 37 forms if later revisions used).

### **Primary Coverage**

For any claims related to this contract, the Contractor's insurance coverage shall be primary insurance coverage at least as broad as ISO CG 20 01 04 13 as respects the Entity, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by the Entity, its officers, officials, employees, or volunteers shall be excess of the Contractor's insurance and shall not contribute with it.

### **Notice of Cancellation**

Each insurance policy required above shall provide that coverage shall not be canceled, except with notice to the Entity.

### **Waiver of Subrogation**

Proposer hereby grants to Entity a waiver of any right to subrogation which any insurer of said Proposer may acquire against the Entity by virtue of the payment of any loss under such insurance. Proposer agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether or not the Entity has received a waiver of subrogation endorsement from the insurer.

### **Self-Insured Retentions**

Self-insured retentions must be declared to and approved by the Entity. The Entity may require the Contractor to purchase coverage with a lower retention or provide proof of ability to pay losses and related investigations, claim administration, and defense expenses within the retention.

### **Acceptability of Insurers**

Insurance is to be placed with insurers authorized to conduct business in the state with a current A.M. Best's rating of no less than A:VII, unless otherwise acceptable to the Entity.

Claims Made Policies (note – should be applicable only to professional liability, see below)

If any of the required policies provide claims-made coverage:

1. The Retroactive Date must be shown, and must be before the date of the contract or the beginning of contract work.
2. Insurance must be maintained and evidence of insurance must be provided for at least five (5) years after completion of the contract of work.
3. If coverage is canceled or non-renewed, and not replaced with another claims-made policy form with a Retroactive Date prior to the contract effective date, the Contractor must purchase “extended reporting” coverage for a minimum of five (5) years after completion of work.

### **Verification of Coverage**

Contractor shall furnish the Entity with original certificates and amendatory endorsements or copies of the applicable policy language effecting coverage required by this clause. All certificates and endorsements are to be received and approved by the Entity before work commences. However, failure to obtain the required documents prior to the work beginning shall not waive the Contractor’s obligation to provide them. The Entity reserves the right to require complete, certified copies of all required insurance policies, including endorsements required by these specifications, at any time.

### **Employees**

It is recommended that upon successful negotiation of a management agreement, the successful Proposer will consider the hiring of current Golf Club staff for continued employment with Proposer if applicable.

### **Lease/Service Agreements**

*TBD*

### **Management Agreement Fee**

The District envisions that the successful Proposer would provide these services in exchange for an annual management fee, in the form of a base management fee which shall be subject to the approval of the Board of Supervisors pursuant to the annual budgeting process. All proposers must at a minimum include an annual management fee proposal. Other fee arrangements, including but not limited to Revenue Sharing, Flat Fee per Rounds, and additional Incentive Clauses will also be considered. The annual management fee will be paid in equal monthly installments unless otherwise agreed to by Proposer and the District in the contract negotiation phase.

## **Management Agreement Term**

A formal management agreement with specifications will be entered into between parties. The proposal, submitted along with the requirements included within this RFP, shall constitute the preliminary substance of the agreement between the District and the Proposer. A formal written agreement will be drawn and will not be binding on or in any force until approved by both parties. All agreement provisions not stated herein, will be drafted and included as necessary.

The terms and conditions of any option period shall be subject to the mutual agreement of the parties including District Board of Supervisors' approval of the specific additional term prior to its commencement. The initial term of the agreement is initially proposed to begin on or around [DATE], 2020. Renewal terms will be considered in the negotiations of the agreement with the successful proposer.

Should there be a change in ownership or management of the Proposer awarded a contract, the contract shall be cancelled unless a mutual agreement is reached with the new owner to continue the contract with its present provisions and prices. The awarded contract shall be nontransferable by either party.

**Confidential Information:** The parties recognize and agree that the District is subject to the provisions of the Florida Public Records Law, as codified in Chapter 119, Florida Statutes. The District also recognizes that Proposer may assert that the one or more aspects of their proposal is a trade secret of Proposer, as defined under Fla. Stat. section 812.081.

Any claim by Proposer that any portion of its proposal is confidential or a trade secret must be made in compliance with s. 812.081 and s. 815.045, Florida Statutes. If District receives a public records request for materials which Proposer has previously and specifically indicated in writing to District is a trade secret, then District agrees to notify Proposer of such public records request within twenty-four (24) hours, at which time Proposer may independently pursue a court order protecting the disclosure of such information. Proposer shall notify the District in writing of its initiation of court action to seek protection of the confidential information within three days of receipt of the District's notification. Proposer's failure to timely notify the District of its initiation of a court action to seek protection of the confidential information shall authorize the disclosure of the requested information and shall authorize the District to comply with the disclosure request within the District's discretion. If the Proposer timely notifies the District of its initiation of a court action to seek protection of the confidential information until the conclusion of the court action or directed to do so via court order. In any court action indicated under this section, Proposer will name the party requesting the materials as a defendant and will not name the District as a party to the action. Proposer agrees to indemnify and hold the District harmless from any award to a plaintiff for damages, costs, or attorney's fees based on nondisclosure of information asserted to be confidential and exempt.

## **Compliance with Applicable Laws**

In the Management Agreement, “Applicable Law” and “Applicable Laws” mean all present and future state, federal, and municipal laws, ordinances, regulations, orders, rules, official opinions and interpretations, and requirements, that apply to the Management Agreement and operation of the Facilities. The Management Agreement shall require compliance with all Applicable Laws, including but not limited to:

- All federal, state, and local licenses, approvals, certificates and permits required for operation of the Facilities.
- The tax requirements of all governmental authorities having jurisdiction over the Entities subject to the Management Agreement.

## **Capital Improvements**

All interested parties should understand that capital improvements may be required over the life of the agreement to keep the course and facilities in top condition. It is expected that the Proposer shall recommend all such improvements. All improvements must be pre-approved by the District and Board of Supervisors approval may be required. Proposer will be required to submit an annual capital improvement plan as part of the budget process and all capital improvements are subject to the budgeting process. The proposer shall procure and account for capital projects and purchases in conformance with GAAP.

## **Golf Course Operating and Maintenance Equipment**

All existing on-site operating equipment including restaurant, software, pro shop inventory, and maintenance equipment shall be provided by the District in “as is” condition. This shall also include the existing furniture, fixtures and equipment used for the clubhouse and office operations. If any additional equipment is deemed necessary by the Proposer, proposer shall recommend such. All maintenance, repair, and upgrading/updating services for existing equipment and future equipment replacement or other equipment needs shall be included in the adopted Annual Operating Budget. Upon entering into an agreement with the Proposer, the completion of a joint inventory of equipment and assets will occur.

All software, point of sale systems, computer hardware to be considered as legally owned by the District. Any proprietary information or software to be clearly identified by the Proposer in the contract.

## **Utilities and Equipment**

Successful Proposer is responsible for ensuring the payment of all utilities of the Sun ‘n Lake Golf Club and is responsible for the repair costs of all equipment upon the start date of the management agreement. Supply and material costs are considered an operating expense as set forth in the adopted budget.

## **Safety Guidelines**

In accordance with the management agreement, the successful Proposer is required to develop and implement effective safety protocols subject to review by the District in accordance with safety guidelines recommended by the District's risk management provider. Firms must demonstrate a Safety and Risk program specific to Florida with dedicated personnel to ensure compliance.

### **5. Pre-Bid Meeting and Facility Tour**

*There will be a mandatory pre-bid meeting on October 1, 2020 at 10:00am at the Sun 'n Lake Island View Restaurant located at 35468 Tee Time Circle, Sebring, FL 33872.*

### **6. Reservations and Rights**

#### ***Reservations***

Additional Information regarding RFP submittal, content, processes and procedures is listed below.

- This RFP does not obligate the District to contract for management and operation of the Golf Club, either now or in the future.
- Documents submitted in response to the RFP are subject to public disclosure as permitted by the State of Florida public record laws. Specifically, all proposals received in response to this RFP shall become the exclusive property of the District.
- The District reserves the right to reject any and all proposals, whether or not minimum qualifications are met, and to modify, postpone, extend, or cancel this Request for Proposal, in whole or in part, or decide to award a contract to perform only some of the services outlined in this Request for Proposal, without liability, obligation, or commitment to any party, firm or organization.
- The District reserves the right to request and obtain additional information from the proposer, investigate the qualifications, character, financial status and record of the proposer, and to determine the sufficiency or experience and qualifications of all proposers and to select the Proposer with which it desires to negotiate the final scope of services.
- The District is not liable for any costs incurred by the Proposers prior to issuance of an agreement. Costs of developing the proposals, oral presentations or any other such expenses incurred by the contractor in responding to the RFP are entirely the responsibility of the Proposer, and shall not be reimbursed in any manner by the District. No materials or labor will be furnished by the District.
- Only the Board of Supervisors can legally approve the District to a management agreement for the management and operation of the Golf Club.

- There will be no private or unilateral consultations prior to the stated deadline for the District's receipt of proposals. Any clarifications or requests for information must be received by the close of the pre-proposal meeting scheduled for **October 1, 2020**. The District, in its sole discretion, may respond to relevant requests for information or clarification of the RFP by proposers. If the District elects to respond to such a request for information or clarification to the RFP, it will do so in writing, and such response from the District will be distributed to all potential Proposers who attend the mandatory pre-proposal meeting. At its sole discretion, however, the District may respond verbally to questions, requests for information and requests for clarification at the mandatory pre-proposal meeting.
- Proposers must independently evaluate the information in this RFP and any conflicts, errors, ambiguities or discrepancies that a proposer has discovered in the RFP or between referenced documents should be communicated to the District promptly no later than **October 13, 2020**.
- The District has used its best efforts to ensure the accuracy of the information as set forth in the RFP and its referenced exhibits. However, the District makes no guarantee of data accuracy and shall not be liable for any inaccuracies contained therein.
- The District reserves the right to waive or permit cure of minor informalities and/or insignificant mistakes such as matters of form rather than substance and to conduct discussions and negotiations with any qualified respondent in any manner deemed necessary by the District to serve its best interests.
- The District also reserves the right, based on its sole judgement and discretion, to award a contract based upon the written proposals it receives without conducting discussions, interviews or negotiations.
- If, in the opinion of the District, a proposal contains false or misleading statements or references, it may be rejected.
- The District reserves the right to obtain additional information necessary to properly evaluate a particular proposal. Failure of a Proposer to respond to such a request for additional information or clarification may result in rejection of the proposal.
- The Proposer may withdraw their proposal at any time prior to the date and time which is set forth herein as the deadline for acceptance of proposals, upon written request for same to the District.

- All communications between the District and the Proposer shall be through the Sun ‘n Lake of Sebring Improvement District’s Administrative Office with the following address and contact:

Sun ‘n Lake of Sebring Improvement District  
Tanya Cannady, General Manager  
5306 Sun ‘n Lake Boulevard,  
Sebring, FL 33872  
Telephone: (863) 382-2196  
Facsimile: (863) 382-2988  
Email: [tcannady@snldistrict.org](mailto:tcannady@snldistrict.org)

At the District’s sole discretion, communications by the Proposer with members of the District staff or Board of Supervisors for the purpose of unfairly influencing the outcome of this RFP process may be because for the Proposer’s proposal to be rejected and disqualified from further consideration.

- The District reserves the right, without qualification, to select a Proposer for further discussions based solely on the content of the RFPs and relevant information obtained from others concerning the proposer’s respective records of past performance.
- Elaborate brochures, sales, literature, and other presentations beyond that which is sufficient to present a complete and effective proposal are not desired.
- The proposal shall not be made contingent upon uncertain events or engineering, which shall not have occurred until after the RFP is completed.
- In the event that it becomes necessary to revise any part of this RFP due to inquiries raised, an email notifying an addendum, supplement or amendment to this RFP will be provided to proposers who attended the **October 15, 2020** meeting. Changes to the RFP shall be accomplished by an amended page or pages.
- The Proposer agrees that any proposal submitted to this RFP will remain current and valid for a period of not less than 180 calendar days from the proposal deadline.

### ***Grounds for Disqualification***

Although not intended to be an exhaustive list of causes for disqualification, anyone or more of the following may be considered sufficient for the disqualification of a proposer and the rejection of a proposal, in the sole discretion of the District:

- Failure to comply with these instructions, and the other specific provisions of the RFP.
- Evidence of collusion among Proposers except for proposed Joint Ventures or other mutual submission which shall be considered as a single Proposer.
- Evidence of any real or apparent conflict of interest that is disclosed in the proposal or any other data available to the District.

- Lack of business skills or financial resources necessary to fulfill the obligations of any resulting agreement, as revealed by either financial statements or other data.
- Lack of responsibility as shown by past work, references, or other factor, or failure to faithfully perform any previous agreement with the District.
- Submission of a proposal that is incomplete, conditional, ambiguous, obscure, which contains alterations not called for, or irregularities of any kind.

## 7. **Minimum Qualifications**

To be deemed qualified for consideration to be awarded a management agreement, a Proposer must:

- Possess the necessary financial resources to fulfill the obligations of the Agreement.
- Possess a competent record of employment or history of contract service in the maintenance of a minimum of three (3) residential golf communities, and one or more local government owned golf courses or similar facilities as verified and supported by references, letters and other necessary evidence from all employers and/or public agencies.
- Have a minimum of five (5) years of direct golf course and golf food and beverage operations and facility maintenance experience at a comparable golf facility within the last ten years performing similar functions under a full service management agreement including:
  - Green and golf cart fee revenue management
  - Overall facility management, including course and building maintenance
  - Guest relations, pro shop operations and merchandise procurement
  - Practice area/golf learning center management, including oversight of teaching professionals
  - Food and beverage operations
  - Familiarity with implementation of a golf course capital improvement plan and program
  - Tournament and outing management
  - Marketing, sales, promotions and pricing



## 8. Proposal Content

The Proposer must submit a proposal with the following information, items (1) through (15) or the proposal may be considered unresponsive at the sole discretion of the District:

### **Proposal Content Outline**

*(Each requirement is explained in detail below)*

1. Transmittal Letter
2. Executive Summary
3. Qualifications and Responsibilities of Key Personnel
4. Proposer's Qualifications and Capabilities
5. Proposer's Philosophy
6. Description of Proposed Services
7. Experience with Capital Improvements
8. Description of Customer Service Approach
9. Marketing Plan
10. Non-Compete Requirement
11. Financial References
12. Financial Statements
13. Administrative and Operational Support Capabilities
14. Proposed Terms and Conditions
15. Pro Forma

#### **(1) Transmittal Letter**

The letter will express the respondent's interest in management and operation of the golf course, maintenance, and food service at the Golf Club. The Proposal will include the name, address, telephone number, website, and e-mail address for the respondent's primary contact with the District during the review and selection process.

*A legal representative of the Proposer, authorized to bind the proposer in contractual matters, must sign the transmittal letter and have the signature notarized.* Depending on the Proposer's organizational structure, the following procedures shall be followed:

## **Proposer                      Transmittal Letter Process**

- Partnership    An authorized general partner shall sign letter with the partnership name and the full name and address of each general partner shall be given.
- Joint Venture   Signed with the full name and address of each member thereof.
- Corporation    Signed by the president and secretary in the corporate name and the corporate seal (if available) shall be affixed.

### **(2) Executive Summary**

The proposal will include a concise (no more than four (4) pages) synopsis of the proposal and its benefits to the District in general, and the Golf Club, specifically. Specific points the Proposer may want to highlight include the Proposer's understanding of, and vision for, the Clubhouse, Golf Courses and Restaurant, the Proposer's qualifications and experience, and a description of the Proposer's capabilities that pertain to this RFP and that distinguish the Proposer from other potential respondents. The summary should also describe the anticipated organizational structure at the Golf Club and the reporting relationships within the organization (particularly between the golf and the food/beverage/banquet side) and the overall reporting relationship with the District.

### **(3) Executive Summary**

The proposal will include a description of the Proposer's key personnel, as follows:

➤ *Firm Overview*

A brief overview of the firm, including the names and roles of all the officers of the responding firm, any knowledge of the Golf Club and experience and ability in working with public entities.

➤ *On-Site Team*

An overview and organizational structure of the on-site management team, resumes of individuals who will work at the Golf Club (if known at this time) and how the project team will report to the District. Should include information about each individual's relevant background, qualifications and experience conducting similar golf course management. If staff are not known at this time, the proposal shall provide a job description and statement of skills that will be applied to the recruitment of these positions, and a recruitment plan that also describes the involvement (if any) of the District in the process.

➤ *Staffing Plan*

A staffing plan for the specific areas of responsibility at the Golf Club, including golf course maintenance, golf course and driving range operations, clubhouse and banquet services, and facility management. Separate staffing plans for Golf and Food & Beverage would be ideal. Dual purpose employees should be identified with percentage allocations.

The staffing plan shall include specific proposed staffing levels in different seasons of the year, and different days of the week. The staffing plan shall also include a summary overview of the number of full- time and part-time designations, qualifications, and anticipated salary ranges for the individuals responsible for delivery of services at the Golf Club.

**(4) Proposer's Qualifications and Capabilities**

A description of the Proposer qualifications shall include, but is not limited to, experience and references of similar work performed in the last five (5) years. Proposer shall provide a total of five (5) references- three (3) references for similar residential golf course facility contracts managed within the last five (5) years and a minimum of two (2) for government owned golf courses, ideally from other public jurisdictions by the personnel proposed for this contract. References should identify the organization, nature and date of the contract, and the name, title, telephone number, website, and e-mail address of the contact person for each reference.

The Proposer's experience shall be evidenced by demonstrating exceptional performance within contracts of similar size and scope. The proposal shall include a description of the proposer's specific experience as follows:

- A listing of all golf course and/or food and beverage operations managed by the respondent within the last five (5) years (with the name, address, phone number, website and primary responsible contact at each course), an overview of the management responsibilities, and specifically whether the work involved golf operations, maintenance, food and beverage, or a combination of the three;
- Names and contact information for all facilities, method of operation (e.g., management contract, lease, etc.), annual gross revenues for golf operations and food and beverage operations at each facility, dates of contract, compensation structure and payments received, dates of actual operation and reasons for contract termination, if applicable;
- Experience managing clubhouse and banquet centers and operating food and beverage services at a municipal or public golf course;

- Specific examples of successful approaches used by the Proposer within each of the business units to effectively deliver exceptional service to enhance the overall experience and improve customer service, while also effectively managing costs and building revenue. These examples shall include the demonstrated results of these approaches over time;
- Specific examples of successful approaches used by the Proposer to develop positive and collaborative relationships with the municipality or other ownership entity, the food and beverage operator (if not under the respondent’s supervision), the golfing community, and the neighbors, and systems used to increase golf play, golf –related food and beverage operations, and event bookings, including creative marketing strategies, and the demonstrated results over time;
- Programs for ongoing education and training of the Proposer’s golf operations and maintenance staff and the food and beverage staff, and the demonstrated results over time.
- A description of why the Proposer’s qualifications and capabilities are the best fit for the District.
- List of all contracts lost or not renewed in the past five (5) years. Include explanation as to why the contract was terminated if desired. Proposer must disclose any litigation that occurred as a direct result of service agreements for similar services for which Proposer is submitting a proposal.
- Proposer must also disclose whether they have ever filed for bankruptcy.

**(5) Proposer’s Philosophy**

The proposal shall also include a general narrative description of the Proposer’s overall philosophy, operating principles, and approach to the operation of golf facilities, and specifically, the vision for, and approach to, operating the Golf Club.

**(6) Proposer’s Philosophy**

The proposal shall include a full description of the nature, methods and processes that will be used by the Proposer to achieve the level of services, described in the Scope of Work, and specifically within each of the business units as follows:

The proposal shall describe an implementation plan for each of these business units that details activities for the planning period up to the **[DATE], 2020** contract commencement date, the first three (3) months of operation and the remaining quarterly intervals of the first twelve (12) months of operation. The plan shall include specific milestones the Proposer expects to reach within all of these intervals and the anticipated results when each of these targets are met.

## ***Golf Operations***

The proposal shall include a detailed service plan that describes the nature of all services to be provided within the golf operations (including the pro shop, practice area/learning center, lessons, golf car rental and other aspects of the golf business unit). In addition, the proposal shall include a general description of pro shop inventory, such as brand name and the Golf Club logo merchandise and hard goods, as well as any proprietary teaching and lesson technical equipment. The assigned staff for golf operations shall at all times include at least one member of the PGA of America and/or LPGA. In the event this individual(s) is not a "Class A" member of either organization, the management company shall assign a "Class A" PGA Professional from another location to provide advice and support as needed.

## ***Golf and Facility Maintenance***

The proposal shall include a detailed description of full range of maintenance services and programs that will specifically include a description of any seasonal activities that will be completed. The proposal shall describe how turf and planted areas including golf course and practice areas will receive the routine maintenance necessary to maintain the areas in a healthy and safe manner. The proposal shall also explain the frequency that the maintenance activities will be completed. The Proposer is encouraged to provide independent input in preparing the maintenance proposal for the course and may seek to incorporate industry-standard approaches to maintenance, including but not limited to United States Golf Association (USGA) and Golf Course Superintendents Association of America (GCSAA) turf management information.

Specific areas of this section of the proposal shall describe preventative maintenance practices, how utility obligations will be met, and the anticipated timeline for making all necessary repairs, and the planned coordination with District staff on facility upkeep issues.

## ***Clubhouse and Banquet Service***

The proposal shall specifically include a description of the full range of services to be provided at the restaurant facility, the on-course snack cart, banquets, and all other aspects of the food, beverage and banquet operations. The proposal shall describe the organizational structure for clubhouse and on-course services, staffing levels for the restaurant, on-course service, and banquets, sample menus, and sales and marketing plans.

## **(7) Experience with Capital Improvements**

The proposal should identify past experiences (including the specific roles played by the Proposer) regarding golf course upgrades, construction, and clubhouse capital improvements. The proposal shall identify key personnel that may be available during capital construction activities at the Golf Club and these individuals' past experience in capital improvements should be detailed. The proposal may also identify any physical changes to the Golf Club facility the proposer believes need to be considered by the District.

The Proposer will provide a recommended capital improvement plan on an annual basis with the amount of capital improvements recommended for the District to fund.

## **(8) Description of Customer Service Approach**

The proposal shall include the Proposer's approach to quality guest services, including the Proposer's service philosophy, the specific methods used by the Proposer to accomplish it, and the expected results over time. The proposal shall also include specific guest service plans for each of the business units of the Golf Club.

The proposal shall also include a description of how guest services will be evaluated and how complaints will be resolved, including:

- Evaluation tools to assess the satisfaction of all guests;
- The amount of time a complaint resolution will typically take and steps the proposer will take to resolve the complaint and to prevent similar issues in the future.

## **(9) Marketing Plan**

The proposal shall describe the Proposer's specific experience in marketing and promoting golf course and banquet centers and a description of the Proposer's demonstrated effectiveness in identifying targeted market segments and capturing a percentage of such segments in existing golf and banquet center markets. Specific examples such as customer retention, increase in membership and loyalty programs shall also be identified.

The proposal shall also describe business development strategies to maximize the capacity of the Golf Club's facilities, including but not limited to, strategies for promotion of overall play at the golf course, tournaments, weddings and special events, merchandising, food service, instruction facilities, and growing the game of golf through youth programs.

The proposal shall describe a conceptual marketing plan that begins on or before the **[DATE], 2020** contract commencement date and include the specific activities during the first three (3) months of operation and the remaining quarterly intervals of the first twelve (12) months of operation. The plan shall include specific milestones the proposer expects to reach within all of these intervals and the anticipated results when each of these targets are met.

The proposal shall include a description of proposed community outreach efforts that involve customers, user groups, the neighbors and various other stakeholders. The Proposer shall also describe past successful outreach efforts, particularly those efforts that took place following a transition from another operator. Specifically, the Proposer shall demonstrate through examples, references, etc., a history of positive and effective approaches to public communications and community involvement; and demonstrate a history of effective relationships and communications with golf club members and other customers, community groups, and local government officials.

## **(10) Non-Compete Clause**

District shall require the successful Proposer to sign a non-compete agreement not to own or operate any other golf operation in Highlands County, Florida.

**(11) Financial References**

The proposal will include a minimum of two (2) financial references giving the name, address, telephone numbers and e-mail address of each reference. At least one (1) of the references must be a bank or savings and loan institution and the type of relationship shall also be indicated, for example: checking accounts, savings accounts, and real estate or construction loans.

The proposal shall include a history of litigation involving the Proposer and in particular any litigation between the Proposer and the owner of any other facility managed by the proposer.

**(12) Financial Statements**

The proposal will include a full and detailed presentation of the true condition, as of December 31, 2019, or the most recent fiscal year-end, of the Proposer's assets, liabilities and net worth. The report must include a balance sheet and income statement. If the Proposer is a partnership or joint venture, individual financial statements must be submitted for each general partner or joint venture partner/s thereof. A financial statement for the Proposer's parent corporation shall also be provided, if the Proposer is owned by a parent corporation. The proposal will include financial statements for 2019 and 2019, as prepared by a certified public accountant.

**(13) Administrative and Operational Support Capabilities, Procedures and Systems**

The proposal will include a description of the types and level of support to be provided by off-site administrative resources, if applicable. Proposer shall provide the District an Organizational Chart indicating support services provided by the Proposer for services other than those on-site.

Such support may include accounting and finance, personnel/labor relations, purchasing, safety, and overall management and operations support. The Proposer may be requested to provide copies of relevant documents (such as safety manuals, employee handbooks and operational memoranda) to the District for further analysis or reference. The proposal shall also describe all management information systems that proposer plans to use to support golf operations, golf course maintenance, and the food, beverage and banquet services, including any technical support that the proposer's systems may require from the District.

**(14) Proposed Terms and Conditions**

The proposal shall identify a preferred agreement term length, the preferred compensation structure under a proposed management agreement, and the specific relationship between the golf and food and banquet operations. Specifically, if the Proposer is interested in establishing an arrangement whereby the food and banquet business unit operates under a license agreement or any other type of agreement with the golf operation, the Proposer shall describe how the structure serves the best interests of the proposer and the District.

**(15) Pro Forma**

The proposal shall include three (3) year pro forma based on philosophy that identifies:

- Projected annual cash flow, gross revenues, from all sources within each business unit (green fees, golf cars, driving range, lessons, merchandise and all food and beverage and banquet business); and
- Anticipated operating, general and administrative expenses;
- Cost per hole for operation and maintenance of the golf course

The pro forma shall include a projected golf course and clubhouse facility maintenance schedule and an estimated annual maintenance budget, as well as an estimated annual budget associated with operating the golf course and banquet services. To assist in this regard, two years of audited financial statements are attached.

**9. Proposal Structure**

**An original and eight copies** of the proposal must be submitted. **Responses must be received by 2:00 p.m. October 27, 2020 to the address provided below.** Faxed copies and e-mails of proposals will not be accepted.

This RFP does not commit the District to pay any costs of proposers in development of their proposal; all costs related to the development and preparation of the proposal is the responsibility of the proposer.

Proposals received after the deadline may not be considered. E-mail submissions shall not be accepted.

Written proposals should be delivered to:

**In Person**

Sun ‘n Lake of Sebring Improvement District  
Administration Office  
Tanya Cannady, General Manager  
5306 Sun ‘n Lake Boulevard  
Sebring, FL 33872  
Telephone: (863) 382-2196  
Facsimile: (863) 382-2988  
Business Hours: Monday-Friday  
8:00 a.m. to 4:30 p.m.

**By U.S. Mail, FedEx or UPS**

Sun ‘n Lake of Sebring Improvement District  
Administration Office  
Attn: Tanya Cannady, General Manager  
5306 Sun ‘n Lake Boulevard  
Sebring, FL 33872

All questions relating to interpretation of the RFP subsequent to the **October 1, 2020** mandatory pre-proposal meeting must be submitted in writing (via mail, e-mail or fax) to the Sun ‘n Lake of Sebring Improvement District Administration Office. An addendum will be issued no later than **October 15, 2020** to all recorded holders of the RFP if a substantive clarification is in order.



## 10. Selection Process

The District reserves the right to act as the solo judge of the content of all responses. In soliciting the proposal, it is the intent of the District to seek and identify the best possible combination of qualifications, understanding of the District's vision, ability to perform, and financial performance and capital improvement plan implementation.

Subject to the District's right to reject any and all proposals, the final scope and services to be provided will be negotiated with the highest rated Proposer after completion of the selection process. If it is not possible to negotiate a satisfactory agreement with the highest rated Proposer, that Proposer will be dismissed and negotiations will commence with the candidate with the next highest score, and so on, until an agreement can be reached.

Receipt and evaluation of proposals or the cancellation of interviews do not obligate the District to award a contract. If the District elects to award a contract, the contract will be awarded to what the District believes to be the most qualified Proposer whose proposal has the best possible combination of qualifications and ability to meet the District's long-term vision for the Golf Club.

*Tentative Timeline for Selection\**

**TBD**

*The District reserves the right to make adjustments to the above noted schedule as necessary.*

All proposals received by the deadline will be evaluated on experience and the completeness and quality of the content. Only those Proposers providing complete information as required will be considered for further evaluation.

The District may designate an evaluation committee to review, compare and analyze all proposals. A short list of the most qualified Proposers shall be selected by the District for oral interviews. A Proposer who submits a fully responsive proposal determined to represent the best qualifications and experience, demonstrated competence, and response to the specific elements identified in the RFP may be selected as a finalist and may be invited to an interview with a District-appointed interview panel to continue further in the selection process. The District reserves the right to increase or decrease the number of Proposers on the interview list depending on whether the proposers have a reasonable chance of being awarded an agreement.

## 11. EVALUATION CRITERIA

An interview panel or other appropriate method will be designated by the District's Board of Supervisors to conduct interviews and make recommendations. Following reference checks and all reasonable due diligence on the part of the District, a preferred proposer will be identified.

The District will evaluate the overall quality and responsiveness of the proposal using but not limited to the following criteria (100 Point Scale), which are listed in no particular order:

- Completeness, overall organization, and clarity of the response; 10 Points
- Relevant qualifications and experience of the respondent and specific team members (particularly the proposed on-site manager) in public golf facility management; 10 Points
- Direct experience and demonstrated results in golf facility management, food and beverage operations, pro shop, marketing, customer service and golf course maintenance; 20 Points
- Demonstrated combination of term and fee arrangement (with regard to the proposed management agreement), that provides optimal benefits for both the District and the selected proposer; 30 Points
- Pro forma and other financial considerations; 30 Points

For the purposes of evaluating the proposals, the evaluation committee may seek outside expertise, including but not limited to input from technical advisors, to assist in evaluating proposals. As part of the proposal review and evaluation process, the District may make visits to facilities currently operated by the proposer. Recommendation of the selected proposer will be based on comparative, as opposed to competitive, analysis of the proposals received.

Ultimately, if a recommendation of a successful proposer is made, the selected proposer will be required to enter into a management agreement with the District.

**END OF EVALUATION CRITERIA**

# EXHIBIT A- Golf Lease Equipment List

DESCRIPTION	VENDOR	S/N	ACQUISITION DATE
John Deere 2500B Greens Mower	John Deere Financial(Lease)	1TC250BGCKT120097	04/01/19
John Deere 2500B Greens Mower	John Deere Financial(Lease)	1TC250BGVKT120098	04/01/19
John Deere 2500B Greens Mower	John Deere Financial(Lease)	1TC250BGLKT120119	04/01/19
John Deere 2500B Greens Mower	John Deere Financial(Lease)	1TC250BGKJT120032	04/01/19
John Deere 7700A Fairway Mower	John Deere Financial(Lease)	1TC770AVJJR050286	04/01/19
John Deere 7700A Fairway Mower	John Deere Financial(Lease)	1TC770AVEJR050281	04/01/19
John Deere 7700A Fairway Mower	John Deere Financial(Lease)	1TC770AVCKR060058	04/01/19
John Deere 7400A Trim & Surrounds Mower	John Deere Financial(Lease)	1TC740AVEJN050104	04/01/19
John Deere 909A 4WD Rough Mower	John Deere Financial(Lease)	1TC909ACJV030353	04/01/19
John Deere 909A 4WD Rough Mower	John Deere Financial(Lease)	1TC909APJV030316	04/01/19
John Deere 1200ATC Bunker & Field Rake	John Deere Financial(Lease)	1TC1200AHJT240540	04/01/19
John Deere 1200A Bunker & Field Rake	John Deere Financial(Lease)	1TC1200AVJT240632	04/01/19
John Deere 1200A Bunker & Field Rake	John Deere Financial(Lease)	1TC1200AEJT240636	04/01/19
John Deere ProGator 2020A	John Deere Financial(Lease)	1TC202ATHKT110135	04/01/19
John Deere ProGator 2020A	John Deere Financial(Lease)	1TC202ATHKT110149	04/01/19
John Deere ProGator 2020A	John Deere Financial(Lease)	1TC202ATJKT110130	04/01/19
Dakota 410 Mounted Topdresser	John Deere Financial(Lease)	410-209-18	04/01/19
John Deere HPX615E Gator	John Deere Financial(Lease)	1M0615EAAKM020824	04/01/19
John Deere HPX615E Gator	John Deere Financial(Lease)	1M0615EAEKM020827	04/01/19
John Deere TX 4x2 Gator	John Deere Financial(Lease)	1M0TURFJEKM140403	04/01/19
John Deere TX 4x2 Gator	John Deere Financial(Lease)	1M0TURFJVKM140363	04/01/19
John Deere TX 4x2 Gator	John Deere Financial(Lease)	1M0TURFJLKM140365	04/01/19
John Deere TX 4x2 Gator	John Deere Financial(Lease)	1M0TURFJAKM140364	04/01/19
John Deere TX 4x2 Gator	John Deere Financial(Lease)	1M0TURFJAKM140378	04/01/19
John Deere TX 4x2 Gator	John Deere Financial(Lease)	1M0TURFJCKM140371	04/01/19
John Deere TX 4x2 Gator	John Deere Financial(Lease)	1M0TURFJLKM140379	04/01/19
John Deere TX 4x2 Gator	John Deere Financial(Lease)	1M0TURFJKKM140388	04/01/19
John Deere TX 4x2 Gator	John Deere Financial(Lease)	1M0TURFJPKM140387	04/01/19
John Deere TX 4x2 Gator	John Deere Financial(Lease)	1M0TURFJJKM140389	04/01/19
John Deere TX 4x2 Gator	John Deere Financial(Lease)	1M0TURFJCKM140393	04/01/19
John Deere TX 4x2 Gator	John Deere Financial(Lease)	1M0TURFJVKM140394	04/01/19
Wiedenmann XF6 Deep Pine Aerator	John Deere Financial(\$1 Buyout Lease)	1040860XF10181028	04/01/19
Simplex 7000 Reel Grinder	John Deere Financial(\$1 Buyout Lease)	190121A1	04/01/19
Wiedenmann Triple V 375	John Deere Financial(\$1 Buyout Lease)	89139102004200520061	04/01/19
Simplex 6000 Bed Knife Grinder	John Deere Financial(\$1 Buyout Lease)	190120B1	04/01/19
Buffalo Turbine Cyclone KB4 Debris Blower	John Deere Financial(\$1 Buyout Lease)	29631	04/01/19
Agrimetal BW3500 3 Pt Debris Blower	John Deere Financial(\$1 Buyout Lease)	37446	04/01/19

**EXHIBIT B- Location Map**



**GEOGRAPHICAL LOCATION**

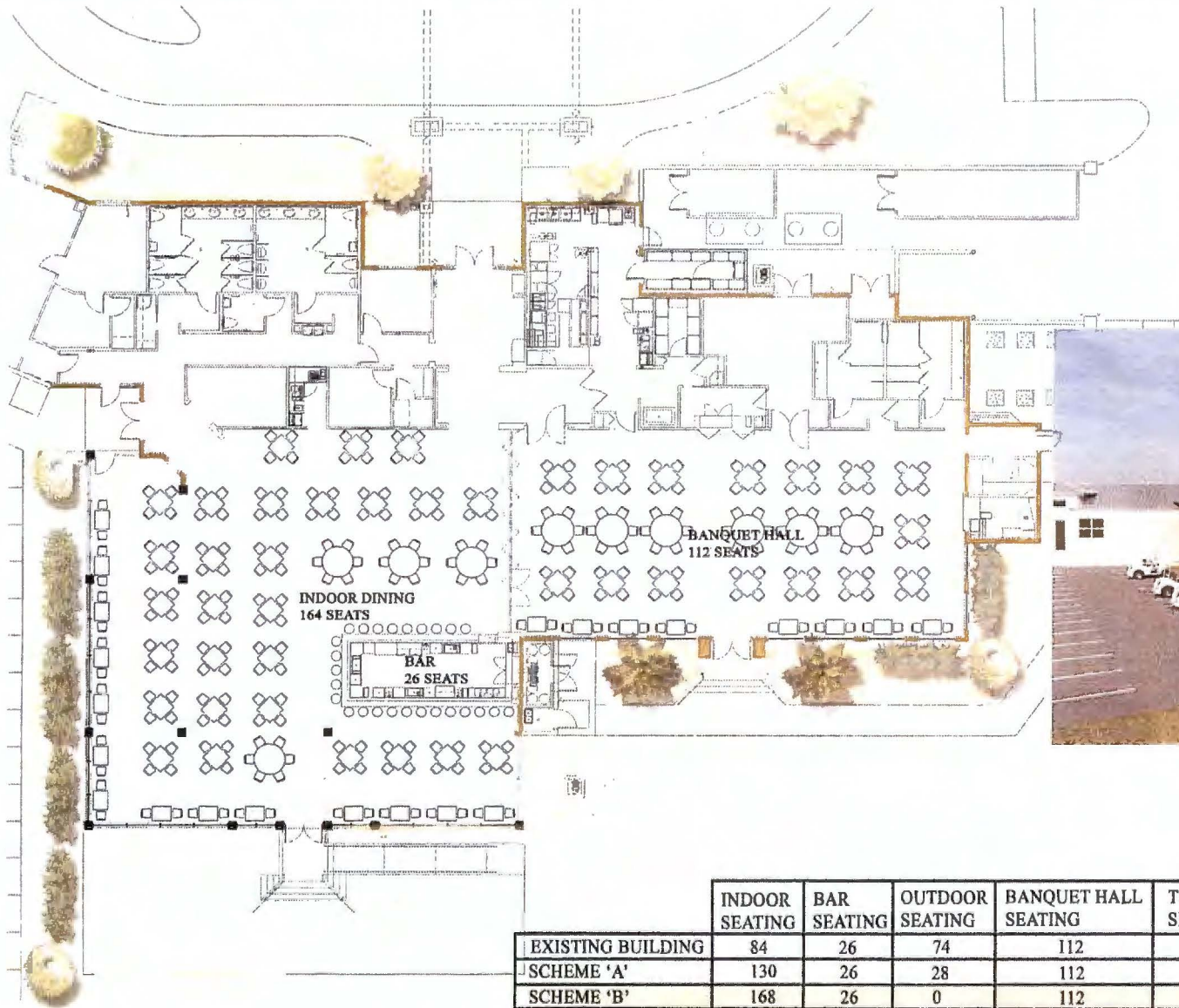
**HIGHLANDS COUNTY, FL**



# EXHIBIT C-Golf Equipment List

DESCRIPTION	VENDOR	S/N	ACQUISITION DATE
Hose Trailers (1)	BANKO MANUFACT		09/29/98
Renovaire-Ryan	GOLF VENTURES	98509130	04/20/99
CORE HARVESTOR	GOLF VENTURES	A00071135	08/31/00
TRACTOR	DISBROW ENTERPRISES	KUBUTA 4900	11/30/01
WELDER	PRAXAIR		11/30/02
2wd Tractor	GOLF VENTURES		10/01/03
Vermeer Stump Grinder	INSIGHT AUCTIONEERS		05/22/06
Buffalo Blower	GOLF VENTURES		11/07/05
U-DUMP TRAILER	INSIGHT AUCTIONEERS	43ZDJ22B4450001094	05/04/07
Dreamturf LLC (Brush for Greens)			02/14/11
Eclipse 122F 01725	Golf Ventures	6332601725	10/28/11
Eclipse 122F 01726	Golf Ventures	6332601726	10/28/11
Eclipse 122F 01727	Golf Ventures	6332601727	10/28/11
Eclipse 122F 01728	Golf Ventures	6332601728	10/28/11
Eclipse 122F 01729	Golf Ventures	6332601729	10/28/11
Spraytek DS-300 840620002116			12/01/13
Toro Rake-O-Vac 00112		270000112	07/01/14
Fairway Mower LF570	Jacobsen	6801701739	12/29/15
Greens TopDresser 1500	Jacobsen	T00333	12/29/15
Green Roller - 2015 TR R52 11TC	ShowTurf	UST1736	01/07/16
Green Roller - 2015 TR R52 11TC	ShowTurf	UST1737	01/07/16
Hustler Super Z 104"	Couture Garden Center		01/08/16
Hustler Super Z 60"	Couture Garden Center		01/08/16
Hustler Super Z 72"	Couture Garden Center		01/08/16
Ice Machines for Course (3)	John Palmer/Highlands Electric		08/31/16
Ultima Range Ball Dispenser	Range Servant America		09/12/16
Submergable Pump 40 HP Motor	Riles Pump Inc		09/29/16
Wireless Irrigation and Radio Controller	WescoTurf		12/06/16
Gator TX Turf (553UM)	John Deere	1M0HPXGSGVM141903	01/12/17
Gator TX Turf (553UM)	John Deere	1M0HPXGSEGM141888	01/12/17
Kubota Tractor MX5200F	Ridge Equipment	10275	01/12/17
Jacobsen GP400 Gas Riding Greens Mower	Jacobsen	6270611012	02/28/17
Jacobsen GP400 Gas Riding Greens Mower	Jacobsen	6270611010	02/28/17
Jacobsen GP400 Gas Riding Greens Mower	Jacobsen	6270611022	02/28/17
Jacobsen GP400 Gas Riding Greens Mower	Jacobsen	6270611023	02/28/17
Snake Mower - 320 (Imperial)	Trimax Mowing Systems	721-320-101-0095	08/29/17
Toro Multi Pro 1750	Wesco Turf	401252469	09/30/17
Bend-Pak XPR-12C Equipment Lift	Automotive Equipment Specialists		09/30/17
Bend Pak Equipment Lift XPR-10S 10K LB Cap	Automotive Equipment Specialists/Chase		10/01/17
Trimax Snake Mower -320 Imperial	Trimax Mowing Systems	721-320-101-0110	10/31/17
EZGO Electric Golf Carts (3 year Lease) 100 Ea	EZGO/Wells Fargo Financing	3322106	01/01/18
Kubota Tractor MX5200HST	Florida Coast Equipment	61819	03/19/18
Sand Pro 5040	Wesco Turf	402501740	04/12/18
Range Picker CA500 Gas	Club Car	MA1842919059	05/07/18
Café Express Beverage Cart	Club Car	MD1930990384	02/09/19

# EXHIBIT D- Kitchen and Restaurant Floor Plan



	INDOOR SEATING	BAR SEATING	OUTDOOR SEATING	BANQUET HALL SEATING	TOTAL SEATING	ESTIMATED COST
EXISTING BUILDING	84	26	74	112	296	-
SCHEME 'A'	130	26	28	112	296	\$ 184,305.00
SCHEME 'B'	168	26	0	112	306	\$ 287,850.00
SCHEME 'C'	168	26	50	112	356	\$ 423,423.00

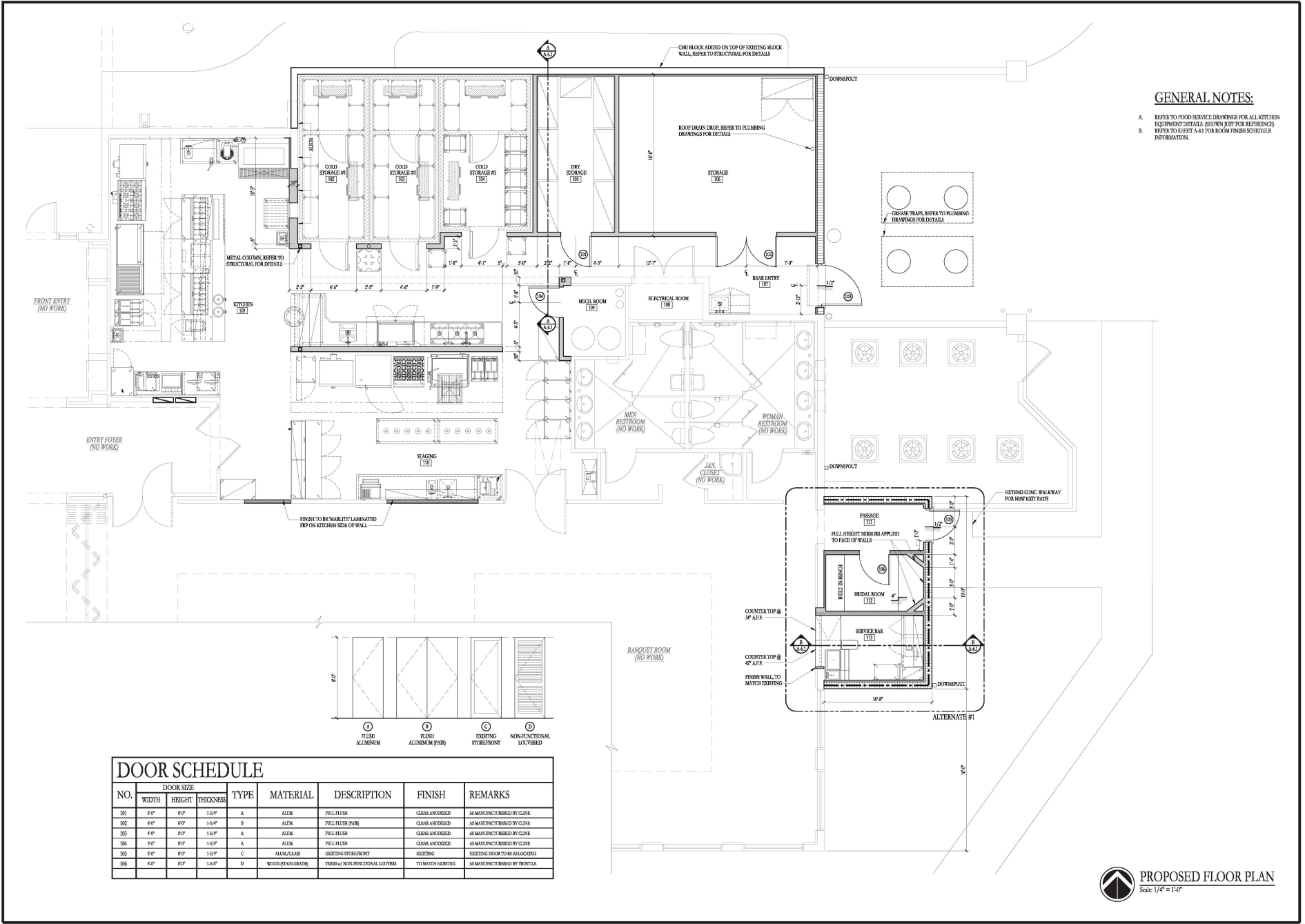
**'B'** 

**CMSA**  
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 Tel: 844-888-1111 www.CMSA.com AIA/NCMA

**SUN 'N LAKES COUNTRY CLUB**  
 DINING EXPANSION **SCHEME 'B'**



# EXHIBIT D- Kitchen and Restaurant Floor Plan-Continued



**GENERAL NOTES:**  
 A. REFER TO FOOD SERVICE DRAWINGS FOR ALL KITCHEN EQUIPMENT DETAILS (SEE FIRST SHEET FOR REFERENCE)  
 B. REFER TO SHEET A-81 FOR ROOM FINISH SCHEDULE INFORMATION

**DOOR SCHEDULE**

NO.	DOOR SIZE			TYPE	MATERIAL	DESCRIPTION	FINISH	REMARKS
	WIDTH	HEIGHT	THICKNESS					
101	8'0"	8'0"	1 1/2"	A	ALUM.	FULL GLASS	CLEAR ANODIZED	AS MANUFACTURED BY CLINE
102	8'0"	8'0"	1 1/2"	B	ALUM.	FULL GLASS PAIR	CLEAR ANODIZED	AS MANUFACTURED BY CLINE
103	8'0"	8'0"	1 1/2"	A	ALUM.	FULL GLASS	CLEAR ANODIZED	AS MANUFACTURED BY CLINE
104	8'0"	8'0"	1 1/2"	A	ALUM.	FULL GLASS	CLEAR ANODIZED	AS MANUFACTURED BY CLINE
105	8'0"	8'0"	1 1/2"	C	ALUM./GLASS	EXISTING STOREFRONT	EXISTING	EXISTING DOOR TO BE RELOCATED
106	8'0"	8'0"	1 1/2"	D	WOOD/STAIN GLASS	TSM w/ NONFUNCTIONAL LOCKER	TO MATCH EXISTING	AS MANUFACTURED BY TRUSTILE

- ① FLUSH ALUMINUM
- ② FLUSH ALUMINUM PAIR
- ③ EXISTING STOREFRONT
- ④ NONFUNCTIONAL LOCKER

CLIFFORD M. SCHOLZ ARCHITECTS, INC.  
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**CMSA**  
 ARCHITECTURE  
 CONSULTANT

REVISIONS

ADDITIONS & ALTERATIONS TO  
**SUN N LAKE GOLF CLUB**  
 SEBRING, FLORIDA

DATE  
 08/27/2018

Clifford M. Scholz | AIA

**CS18068**

SHEET NO.  
**A-1.2**

**PROPOSED FLOOR PLAN**  
 Scale: 1/4" = 1'-0"



**Financial Report**

**Fiscal Year Ended September 30, 2018**



**SUN 'N LAKE**  

---

**GOLF & RECREATION**

**Sun 'N Lake of Sebring  
Improvement District  
Sebring, Florida**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
*Sun 'n Lake of Sebring Improvement District*

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the *Sun 'n Lake of Sebring Improvement District, Sebring, Florida* (the "District"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Sun 'n Lake of Sebring Improvement District, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 3 and budgetary comparison information on pages 36 and 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued a report dated March 14, 2019 on our consideration of Sun 'n Lake of Sebring Improvement District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*McDiernit Davis & Company, LLC*

Orlando, Florida  
March 14, 2019

Our discussion and analysis of Sun 'n Lake of Sebring Improvement District, Sebring, Florida's ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2018. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements themselves.

### **Financial Highlights**

- The assets of the *District* exceeded its liabilities at September 30, 2018, resulting in a net position of \$21,751,896.
- The District's total net position in comparison with the prior year increased by \$93,744. 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, 2018, the District's governmental funds reported combined ending fund balance deficit of \$(6,642,784), an increase in the deficit of \$74,552 in comparison with the prior year. Of this combined ending balance deficit, \$(10,837,767) was reported in the debt service fund. The Unit 16 A & C Note was due March 28, 2010 and the entire note payable balance is considered a current liability as of the date of this report.
- At September 30, 2018, the District's unassigned fund balance in the general fund was \$1,944,198 or 45% of total general fund balance which is available for spending at the District's discretion.

### **Overview of the Financial Statements**

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

### **Government-Wide Financial Statements**

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

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two 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.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by assessments (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include general (administration, finance, and community services), public safety (code enforcement and security), transportation (roads and drainage) and culture and recreation. The business-type activities of the District include the Utility (water and sewer) operation.

### **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 two fund categories: governmental and proprietary 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 financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains four governmental funds for external reporting. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the general, debt service, golf special revenue, and capital projects funds. The general, the debt service, golf special revenue, and capital projects funds are considered to be major funds.

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

The District also adopts an annual non-appropriated operating budget for the golf, capital projects, and utility funds.

#### *Proprietary Funds*

The District maintains one type of proprietary fund: enterprise. The District maintains one enterprise fund. An enterprise fund is used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District uses an enterprise fund to account for the operations of the water and sewer utility services within the District.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the utility fund, which is considered a major fund.

### **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.

### **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information regarding the District's budget and actual revenues and expenses of the General Fund.

**Government-Wide Financial Analysis**

*Summary Schedule of Net Position*

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$21,751,896 at the close of the most recent fiscal year.

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

**Statement of Net Position as of September 30:**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
<b>Assets:</b>						
Current and other assets	\$ 4,986,646	\$ 5,167,002	\$ 4,562,257	\$ 4,193,726	\$ 9,548,903	\$ 9,360,728
Capital assets, net	15,753,142	15,263,080	8,566,737	9,130,588	24,319,879	24,393,668
<b>Total assets</b>	<b>20,739,788</b>	<b>20,430,082</b>	<b>13,128,994</b>	<b>13,324,314</b>	<b>33,868,782</b>	<b>33,754,396</b>
<b>Liabilities:</b>						
Current liabilities	11,633,166	11,735,234	198,273	216,868	11,831,439	11,952,102
Long-term liabilities	240,908	104,920	44,539	39,222	285,447	144,142
<b>Total liabilities</b>	<b>11,874,074</b>	<b>11,840,154</b>	<b>242,812</b>	<b>256,090</b>	<b>12,116,886</b>	<b>12,096,244</b>
<b>Net Position:</b>						
Net investment in capital assets	4,779,014	4,761,275	8,566,737	9,130,588	13,345,751	13,891,863
Restricted	-	-	3,194,682	3,080,433	3,194,682	3,080,433
Unrestricted	4,086,700	3,828,653	1,124,763	857,203	5,211,463	4,685,856
<b>Total net position</b>	<b>\$ 8,865,714</b>	<b>\$ 8,589,928</b>	<b>\$ 12,886,182</b>	<b>\$ 13,068,224</b>	<b>\$ 21,751,896</b>	<b>\$ 21,658,152</b>

The largest portion of the District's net position \$13,345,751 (61%) reflects its investment in capital assets (e.g., land, land improvements, equipment 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.

**Government-Wide Financial Analysis (Continued)**

The restricted portion \$3,194,682 represents funds set aside for renewal and replacement and impact fee projects. Restrictions are made by enabling legislation for future capital renewal and replacement and expansion.

The results of this year's operations for the District as a whole are reported in the statement of activities. The net position of the District's governmental activities increased \$275,786 and the net position of the business-type activities decreased \$182,042 in comparison with the prior year.

**Schedule of Changes in Net Position**

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 7,361,731	\$ 7,569,985	\$ 2,342,896	\$ 2,360,335	\$ 9,704,627	\$ 9,930,320
Capital grants and contributions	-	-	33,600	23,600	33,600	23,600
General revenues:						
Investment earnings	63,403	26,398	48,990	28,243	112,393	54,641
Other	355,751	287,038	-	-	355,751	287,038
<b>Total revenues</b>	<b>7,780,885</b>	<b>7,883,421</b>	<b>2,425,486</b>	<b>2,412,178</b>	<b>10,206,371</b>	<b>10,295,599</b>
<b>Expenses:</b>						
Governmental activities:						
General government	1,929,854	1,720,510	-	-	1,929,854	1,720,510
Public safety	310,737	317,792	-	-	310,737	317,792
Transportation	559,944	885,029	-	-	559,944	885,029
Culture and recreation	4,764,405	5,061,156	-	-	4,764,405	5,061,156
Interest	454,590	454,528	-	-	454,590	454,528
Business - type activities:						
Water and sewer utilities	-	-	2,093,097	2,055,857	2,093,097	2,055,857
<b>Total expenses</b>	<b>8,019,530</b>	<b>8,439,015</b>	<b>2,093,097</b>	<b>2,055,857</b>	<b>10,112,627</b>	<b>10,494,872</b>
<b>Increase (Decrease) in</b>						
<b>Net Position Before Transfers</b>	<b>(238,645)</b>	<b>(555,594)</b>	<b>332,389</b>	<b>356,321</b>	<b>93,744</b>	<b>(199,273)</b>
<b>Transfers</b>	<b>514,431</b>	<b>1,265,351</b>	<b>(514,431)</b>	<b>(1,265,351)</b>	<b>-</b>	<b>-</b>
<b>Increase (Decrease) in Net position</b>	<b>275,786</b>	<b>709,757</b>	<b>(182,042)</b>	<b>(909,030)</b>	<b>93,744</b>	<b>(199,273)</b>
<b>Net position, beginning</b>	<b>8,589,928</b>	<b>7,880,171</b>	<b>13,068,224</b>	<b>13,977,254</b>	<b>21,658,152</b>	<b>21,857,425</b>
<b>Net position, end</b>	<b>\$ 8,865,714</b>	<b>\$ 8,589,928</b>	<b>\$ 12,886,182</b>	<b>\$ 13,068,224</b>	<b>\$ 21,751,896</b>	<b>\$ 21,658,152</b>



### **Governmental Activities**

Charges for services accounted for 95% of the total governmental revenues, which consisted primarily of assessments for the current and prior year. The decrease in charges for services from the previous year was \$208,254. The decrease is primarily attributable to assessment payments not received on vacant lots. The cost of all governmental activities during the fiscal year ended September 30, 2018 was \$8,019,530, which was an decrease of 5% from the prior year. Culture and recreation services accounted for 59% of total expenses.

### **Business-Type Activities**

The cost of the business-type activities was \$2,093,097, a 2% increase from the prior year. The costs of those activities were paid for by charges for services, which accounted for 97% of total business-type revenues.

### **Financial Analysis of the District's Funds**

#### *Governmental Funds*

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund balance decreased \$85,581 (2%) from the previous year and is reporting an ending balance of \$4,368,498. Of this balance \$1,944,198 is unassigned, which represents 45% of 2018 expenditures.

As mentioned in Financial Highlights on page 3, the Debt Service Fund has an ending fund balance (deficit) of \$(10,837,767). The Unit 16 A & C Note came due in 2010 and as a result, the entire note payable balance is considered a current liability as of the date of this report.

The Golf Fund reported a net increase in fund balance of \$147,842, after transfers in of \$736,563 and capital lease proceeds of \$207,751. The increase resulted in an ending fund balance deficit of \$(173,515).

The Capital Projects Fund reported a zero balance after transfer in of \$514,431 exceeded capital expenditures of \$315,270.

#### *Proprietary Funds*

The *District's* proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Water and Sewer Utility Fund reported an operating profit of \$249,799, which is a decrease of \$54,679 from the previous year. Of the total net position in the amount of \$12,886,182, included in this amount is \$3,194,682 restricted for renewal, replacement, and improvement of capital assets. The decrease in operating results is due to increased expenditures in repairs & maintenance of equipment.

### General Fund Budgeting Highlights

The differences between the 2018 original budget and the final amended budget are adopted by the Board throughout the year. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate.

The negative variance between budgeted and actual general fund revenues for the 2018 fiscal year was \$156,402, primarily attributable to lower assessment collections than anticipated. The actual general fund expenditures for the 2018 fiscal year were \$251,507 lower than budgeted amounts primarily due to unused contingency amounts.

### Capital Asset and Debt Administration

#### Capital Assets

(Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Land	\$ 520,477	\$ 520,477	\$ 184,842	\$ 184,842	\$ 705,319	\$ 705,319
Construction in Progress	133,478	1,388,162	53,516	-	186,994	1,388,162
Buildings, Infrastructure & Improvements	10,981,381	9,364,191	8,185,851	8,767,917	19,167,232	18,132,108
Machinery and Equipment	1,257,938	1,147,456	142,528	177,829	1,400,466	1,325,285
Golf Course & Improvements	2,859,868	2,842,794	-	-	2,859,868	2,842,794
<b>Total</b>	<b>\$ 15,753,142</b>	<b>\$ 15,263,080</b>	<b>\$ 8,566,737</b>	<b>\$ 9,130,588</b>	<b>\$ 24,319,879</b>	<b>\$ 24,393,668</b>

#### Capital Assets

Under Governmental Accounting Standards Board Statement 34 and related amendments, there is a requirement that certain capital assets be reported. However, the requirement permits certain entities to defer the retroactive reporting of its general infrastructure to a subsequent year and certain other entities may permanently exclude. The District has not made a decision at this time if that infrastructure will be included in future reports; however, the District does report its capital assets prospectively.

At September 30, 2018, the District had \$24,319,879, net of accumulated depreciation, invested in capital assets for its governmental and business type activities. This investment in capital assets includes land, land improvements, infrastructure improvements, buildings, improvements other than buildings, vehicles, equipment and water and sewer system.

Capital assets decreased from the prior year in the amount of \$73,789 due to depreciation expense and disposals exceeding additions. The District's major project during the year was the completion of the maintenance facility. The clubhouse kitchen remodel and drainage improvements are the major projects under construction at year end.

### *Long-Term Debt*

At September 30, 2018, the *District* had a note payable of \$10,837,856 including accrued interest outstanding for its governmental activities. The District's collections from property owners were insufficient to make the required debt service payment for the Unit 16 Area A&C Note. As a result of non-collection of assessments, the entire note payable balance is reported on the balance sheet. See Note 10 for additional information.

### **Economic Factors, Next Year's Budget, and Rates**

The District's strategic objective for the 2018/2019 budget focused on sustaining exemplary levels of services and amenities offered to our residents while investing in the community's infrastructure and enhancing marketing to promote development and growth. Highlights include:

- The General Fund budget was adopted at \$6,107,800, an increase of \$2,064,300 in comparison to the previous year's original adopted budget. Of the \$6.1 million, \$3.68 million is operating revenues, which is a slight decrease due to new assessment rates being adopted. Beforehand the assessment rates had remain unchanged for eight consecutive years. The District Operation and Maintenance assessment revenues constitute for 92% of the operating revenues. The remaining \$2.4 million difference is funded from General Fund reserves to fund Golf Fund Capital, Recreational Shuffleboard & Pickleball expansion, and the expansion of the Clubhouse. Reinvestment projects continue to be the primary focus of the 2018/2019 budget discussions along with a newly included road paving program.
- A new Capital Improvement Fund was established in the amount of \$1,230,000 for the proposition of a larger kitchen and enclosed lanai at the Island View Restaurant and Clubhouse. General Fund reserves is the dedicated funding source for this project. As of September 30, 2018; the General Fund reserve balance was \$4,368,498.
- The Utility Fund was adopted at \$2.7 million, an increase of 3% primarily attributed to the additional revenue collections from water usage and interest income. Prior year's reserves remained the same at \$300,000 dedicated for capital projects one of which is the carryover of the water plant electrical renovation. No changes were made to the Utility water and sewer rates. Restricted reserve replenishment continues to be budgeted in the amount of \$536,000.
- The Golf Fund was adopted at \$4.6 million in contrast to the previous year's \$4.2 million budget. Operationally, revenues and expenditures are expected to remain constant. Golf membership and public green fees both sustained increases while Food and Beverage incurred projected decreases due to the expected closure for the renovation project. A major capital expenditure in the amount of \$450,00 was included as well for the Deer Run Golf Course pump upgrade and greens loop renovation.

### **Requests for Information**

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Sun 'n Lake of Sebring Improvement District's Finance Department located at 5306 Sun 'n Lake Blvd., Sebring, FL 33872, or visit our website at [snldistrict.org](http://snldistrict.org).

## **FINANCIAL STATEMENTS**

**Statement of Net Position**

September 30, 2018

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 1,482,082	\$ 1,550,704	\$ 3,032,786
Investments	3,188,880	2,341,998	5,530,878
Receivables, net	34,506	227,612	262,118
Internal balances	110,916	(110,916)	-
Due from other governments	59,854	-	59,854
Inventories	99,282	-	99,282
Prepaid costs	11,126	8,000	19,126
Restricted assets:			
Cash and cash equivalents	-	544,859	544,859
Capital assets:			
Not being depreciated	653,955	238,358	892,313
Depreciable, net	15,099,187	8,328,379	23,427,566
<b>Total capital assets</b>	<b>15,753,142</b>	<b>8,566,737</b>	<b>24,319,879</b>
<b>Total assets</b>	<b>20,739,788</b>	<b>13,128,994</b>	<b>33,868,782</b>
<b>Liabilities</b>			
Accounts payable and accrued expenses	355,001	65,978	420,979
Retainage payable	-	-	-
Accrued interest payable	3,736	-	3,736
Unearned revenues	378,245	-	378,245
Matured notes payable	10,837,856	-	10,837,856
Customer deposits and other liabilities	58,328	132,295	190,623
Noncurrent liabilities:			
Due within one year	77,390	4,454	81,844
Due in more than one year	163,518	40,085	203,603
<b>Total liabilities</b>	<b>11,874,074</b>	<b>242,812</b>	<b>12,116,886</b>
<b>Net Position</b>			
Net investment in capital assets	4,779,014	8,566,737	13,345,751
Restricted for:			
Renewal, replacement and improvement	-	2,782,118	2,782,118
Impact fee projects	-	412,564	412,564
Unrestricted	4,086,700	1,124,763	5,211,463
<b>Total net position</b>	<b>\$ 8,865,714</b>	<b>\$ 12,886,182</b>	<b>\$ 21,751,896</b>

Sun 'n Lake of Sebring Improvement District, Sebring, Florida  
**Statement of Activities**  
For the Fiscal Year Ended September 30, 2018

Functions/Programs	Net (Expense) Revenue and Changes in Net Position					
	Program Revenue			Primary Government		
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary Government</b>						
Governmental Activities:						
General Government	\$ 1,929,854	\$ 1,845,750	\$ -	\$ (84,104)	\$ -	\$ (84,104)
Public Safety	310,737	283,581	-	(27,156)	-	(27,156)
Transportation	559,944	507,098	-	(52,846)	-	(52,846)
Culture and Recreation	4,764,405	4,604,110	-	(160,295)	-	(160,295)
Interest on Long-term debt	454,590	121,192	-	(333,398)	-	(333,398)
<b>Total Governmental Activities</b>	<b>8,019,530</b>	<b>7,361,731</b>	<b>-</b>	<b>(657,799)</b>	<b>-</b>	<b>(657,799)</b>
Business-type activities:						
Water and Sewer	2,093,097	2,342,896	33,600	-	283,399	283,399
<b>Total Business-type Activities</b>	<b>2,093,097</b>	<b>2,342,896</b>	<b>33,600</b>	<b>-</b>	<b>283,399</b>	<b>283,399</b>
<b>Total Primary Government</b>	<b>\$ 10,112,627</b>	<b>\$ 9,704,627</b>	<b>\$ 33,600</b>	<b>(657,799)</b>	<b>283,399</b>	<b>(374,400)</b>
General Revenues:						
Unrestricted investment earnings				63,403	48,990	112,393
Miscellaneous				295,983	-	295,983
Gain on disposal of capital assets				59,768	-	59,768
Transfers				514,431	(514,431)	-
<b>Total general revenues and transfers</b>				<b>933,585</b>	<b>(465,441)</b>	<b>468,144</b>
Change in net position				275,786	(182,042)	93,744
Net position, beginning				8,589,928	13,068,224	21,658,152
<b>Net position, ending</b>				<b>\$ 8,865,714</b>	<b>\$ 12,886,182</b>	<b>\$ 21,751,896</b>

**Balance Sheet - Governmental Funds**

September 30, 2018

	General Fund	Debt Service Fund	Golf Special Revenue Fund	Capital Projects	Total Governmental Funds
<b>Assets:</b>					
Cash and cash equivalents	\$ 1,140,900	\$ -	\$ 341,182	\$ -	\$ 1,482,082
Investments	3,188,880	-	-	-	3,188,880
Receivables, net	1,518	-	32,988	-	34,506
Due from other funds	132,001	89	-	-	132,090
Due from other governments	59,854	-	-	-	59,854
Inventories	-	-	99,282	-	99,282
Prepaid costs	-	-	11,126	-	11,126
<b>Total assets</b>	<b>\$ 4,523,153</b>	<b>\$ 89</b>	<b>\$ 484,578</b>	<b>-</b>	<b>\$ 5,007,820</b>
<b>Liabilities:</b>					
Accounts payable	\$ 74,884	\$ -	\$ 91,723	-	\$ 166,607
Accrued expenses	58,960	-	129,434	-	188,394
Matured notes payable	-	10,837,856	-	-	10,837,856
Due to other funds	89	-	21,085	-	21,174
Unearned revenues	17,272	-	360,973	-	378,245
Customer deposits	3,450	-	54,878	-	58,328
<b>Total liabilities</b>	<b>154,655</b>	<b>10,837,856</b>	<b>658,093</b>	<b>-</b>	<b>11,650,604</b>
<b>Fund Balances:</b>					
Nonspendable	-	-	110,408	-	110,408
Assigned	2,424,300	-	-	-	2,424,300
Unassigned	1,944,198	(10,837,767)	(283,923)	-	(9,177,492)
<b>Total fund balances (deficit)</b>	<b>4,368,498</b>	<b>(10,837,767)</b>	<b>(173,515)</b>	<b>-</b>	<b>(6,642,784)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,523,153</b>	<b>\$ 89</b>	<b>\$ 484,578</b>	<b>\$ -</b>	<b>\$ 5,007,820</b>

Sun 'n Lake of Sebring Improvement District, Sebring, Florida  
**Reconciliation of the Governmental Funds Balance Sheet to the  
Statement of Net Position**  
September 30, 2018

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Total Fund Balance, governmental funds	\$ (6,642,784)
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	15,753,142
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Long term liabilities such as capital lease, compensated absences, and accrued interest payable are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.

Capital lease payable	(136,272)
Compensated absences payable	(104,636)
Accrued interest payable	<u>(3,736)</u>

<b>Net Position of Governmental Activities in the Statement of Net Position</b>	<b><u>\$ 8,865,714</u></b>
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Sun 'n Lake of Sebring Improvement District, Sebring, Florida  
**Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Governmental Funds**  
For the Fiscal Year Ended September 30, 2018

	General Fund	Debt Service Fund	Golf Special Revenue Fund	Capital Projects	Total Governmental Funds
<b>Revenues:</b>					
Assessments	\$ 3,401,084	\$ 118,200	\$ -	\$ -	\$ 3,519,284
Penalty and interest on assessments	88,160	2,992	-	-	91,152
Fees and fines	2,171	-	-	-	2,171
Licenses and permits	4,570	-	-	-	4,570
Charges for services	134,754	-	3,609,800	-	3,744,554
Investment earnings	63,403	-	-	-	63,403
Miscellaneous	288,478	-	-	-	288,478
<b>Total revenues</b>	<b>3,982,620</b>	<b>121,192</b>	<b>3,609,800</b>	<b>-</b>	<b>7,713,612</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>General government:</b>					
Financial and administrative	1,098,420	6,312	-	-	1,104,732
Community services	143,322	-	-	-	143,322
Facilities and grounds	280,248	-	-	-	280,248
<b>Total general government</b>	<b>1,521,990</b>	<b>6,312</b>	<b>-</b>	<b>-</b>	<b>1,528,302</b>
Code enforcement and security	293,655	-	-	-	293,655
Roads and drainage	1,224,308	-	-	-	1,224,308
Recreation and leisure	308,540	-	4,334,793	-	4,643,333
<b>Debt service:</b>					
Principal	-	-	71,479	-	71,479
Interest and other charges	-	450,854	-	-	450,854
<b>Capital Outlay</b>					
	-	-	-	315,270	315,270
<b>Total expenditures</b>	<b>3,348,493</b>	<b>457,166</b>	<b>4,406,272</b>	<b>315,270</b>	<b>8,527,201</b>
Excess (deficiency) of Revenues over expenditures	634,127	(335,974)	(796,472)	(315,270)	(813,589)
<b>Other Financing Sources (uses):</b>					
Sale of capital assets	9,350	-	-	-	9,350
Sale of land purchased for resale	7,505	-	-	-	7,505
Capital lease proceeds	-	-	207,751	-	207,751
Transfers in	514,431	-	736,563	514,431	1,765,425
Transfers out	(1,250,994)	-	-	-	(1,250,994)
<b>Total other financing sources (uses)</b>	<b>(719,708)</b>	<b>-</b>	<b>944,314</b>	<b>514,431</b>	<b>739,037</b>
Net change in fund balances	(85,581)	(335,974)	147,842	199,161	(74,552)
Fund balances, beginning	4,454,079	(10,501,793)	(321,357)	(199,161)	(6,568,232)
<b>Fund balances, ending</b>	<b>\$ 4,368,498</b>	<b>\$ (10,837,767)</b>	<b>\$ (173,515)</b>	<b>\$ -</b>	<b>\$ (6,642,784)</b>

Sun 'n Lake of Sebring Improvement District, Sebring, Florida  
**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of  
 Governmental Funds to the Statement of Activities**  
 For the Fiscal Year Ended September 30, 2018

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Net Change in Fund Balances - total governmental funds: \$ (74,552)

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 these assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	1,576,207
Less: Depreciation expense	(1,136,563)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Capital lease proceeds	(207,751)
Debt repayments	71,479

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net position.

50,418

The change in compensated absences reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in governmental funds.

284

Accrued interest reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds

(3,736)

**Change in Net Position of Governmental Activities**

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**\$ 275,786**

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Sun 'n Lake of Sebring Improvement District, Sebring, Florida  
**Statement of Net Position - Proprietary Funds**  
September 30, 2018

	<u>Water and Sewer Utility</u>
<b>Assets:</b>	
Current assets:	
Cash and cash equivalents	\$ 1,550,704
Investments	2,341,998
Accounts receivable, net	227,612
Prepaid expenses	8,000
Restricted assets:	
Cash and cash equivalents	<u>544,859</u>
<b>Total current assets</b>	<u>4,673,173</u>
Noncurrent assets:	
Capital Assets:	
Land	184,842
Construction in progress	53,516
Infrastructure	17,643,599
Buildings	52,192
Machinery and equipment	503,377
Less accumulated depreciation	<u>(9,870,789)</u>
<b>Total capital assets, net</b>	<u>8,566,737</u>
<b>Total assets</b>	<u>13,239,910</u>
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable	65,978
Due to other funds	110,916
Customer deposits payable	132,295
Compensated absences	<u>4,454</u>
<b>Total current liabilities</b>	<u>313,643</u>
Noncurrent liabilities:	
Compensated absences	<u>40,085</u>
<b>Total noncurrent liabilities</b>	<u>40,085</u>
<b>Total liabilities</b>	<u>353,728</u>
<b>Net position:</b>	
Net investment in capital assets	8,566,737
Restricted for capital projects	2,782,118
Restricted for impact fee projects	412,564
Unrestricted	<u>1,124,763</u>
<b>Total net position</b>	<u>\$ 12,886,182</u>

Sun 'n Lake of Sebring Improvement District, Sebring, Florida  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
For the Fiscal Year Ended September 30, 2018

	<u>Water and Sewer Utility</u>
<b>Revenues:</b>	
Charges for water and sewer services	\$ 2,260,552
Other	<u>82,344</u>
<b>Total operating revenues</b>	<u>2,342,896</u>
<b>Operating Expenses:</b>	
Salaries and benefits	607,342
Contractual services, maintenance and supplies	868,388
Depreciation	<u>617,367</u>
<b>Total operating expenses</b>	<u>2,093,097</u>
<b>Operating income</b>	<u>249,799</u>
<b>Nonoperating Revenues (Expenses):</b>	
Interest and investment income	48,990
Impact fees	<u>33,600</u>
<b>Total nonoperating revenues (expenses)</b>	<u>82,590</u>
<b>Income before transfers</b>	332,389
Transfers out	<u>(514,431)</u>
<b>Change in net position</b>	(182,042)
Net position, beginning	<u>13,068,224</u>
<b>Net position, ending</b>	<u>\$ 12,886,182</u>

Sun 'n Lake of Sebring Improvement District, Sebring, Florida  
**Statement of Cash Flows - Proprietary Funds**  
For the Fiscal Year Ended September 30, 2018

	<u>Water and Sewer Utility</u>
<b>Cash Flows from Operating Activities:</b>	
Receipts from customers and users	\$ 2,418,338
Payments to employees	(602,025)
Payments to suppliers of goods and services	(879,691)
<b>Net cash provided by operating activities</b>	<u>936,622</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>	
Net operating transfers out	(514,431)
Decrease in due to other funds	(904)
<b>Net cash used by non-capital financing activities</b>	<u>(515,335)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Impact fees	33,600
Purchases of capital assets	(53,516)
<b>Net cash used by capital and related financing activities</b>	<u>(19,916)</u>
<b>Cash Flows from Investing Activities:</b>	
Interest earnings	48,990
Purchase of investments	(1,173,515)
<b>Net cash used by investing activities</b>	<u>(1,124,525)</u>
<b>Net decrease in cash and cash equivalents</b>	(723,154)
Cash and cash equivalents, beginning	2,818,717
<b>Cash and cash equivalents, ending</b>	<u>\$ 2,095,563</u>
<b>Classified As:</b>	
Cash and cash equivalents	\$ 1,550,704
Restricted cash and cash equivalents	544,859
<b>Total</b>	<u>\$ 2,095,563</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating income	\$ 249,799
<b>Adjustments Not Affecting Cash:</b>	
Depreciation and amortization	617,367
<b>Change in Assets and Liabilities:</b>	
Decrease in accounts receivable	70,922
Decrease in prepaids / inventory	11,812
Decrease in accounts payable	(23,115)
Increase in customer deposits	4,520
Increase in compensated absences	5,317
<b>Total adjustments</b>	<u>686,823</u>
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 936,622</u>

## **Notes to Financial Statements**

## **NOTE 1      NATURE OF ORGANIZATION AND REPORTING ENTITY**

### **Reporting Entity**

Sun 'n Lake of Sebring Improvement District (the "District") was established by the Board of County Commissioners of Highlands County, Florida on April 16, 1974. The District is located between the City of Sebring, Florida and the City of Avon Park, Florida on US. Highway 27. It encompasses approximately 5,700 acres. Highlands County Ordinance No. 74-4 created the District, fixed the boundaries, provided for a governing body, and provided for the powers, functions, and duties of the District and its governing body. This ordinance, as amended by Ordinance No. 77-4, is referred to as the District Charter. The District Charter further provides for the acquisition or construction of improvements which can be financed by the levying of assessments on the benefited properties.

The District is defined as an independent special district under the Uniform Special District Accountability Act of 1989, otherwise known as Chapter 189 of the Florida Statutes. Chapter 189 mandates certain requirements for the formation, dissolution and reporting of special districts.

The District's major activities include operation and maintenance of the golf clubhouse, golf course and driving range, tennis courts, a water and sewer utility system, a network of arterial and neighborhood roads, community center with pool, fitness center, and a general purpose District office.

The District is governed by the Board of Supervisors ("Board"), which is composed of five members. The Supervisors are elected by the landowners and qualified electors residing within the District. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Florida Statutes.

The Board has the final responsibility for:

1. Assessing and levying assessments.
2. Approving budgets.
3. Exercising control over facilities and properties.
4. Controlling the use of funds generated by the District.
5. Approving the employment of the general manager.
6. Financing improvements.

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statements 14, 39 and 61. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District Board of Supervisors is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

## **NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Government-Wide and Fund Financial Statements**

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

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by assessments and general revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. The major governmental and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

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

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

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.



**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*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.

*Golf Fund* - This special revenue fund is used to account for the operations of the golf course and related amenities. The costs of providing services to the residents are recovered primarily through user charges.

*Capital Projects Fund* - The capital projects fund is used to account for the acquisition and construction of major capital facilities

The District reports the following major proprietary fund:

*Water and Sewer Fund* - This enterprise fund is used to account for the operations of the water and sewer utility services within the District. The costs of providing services to the residents are recovered primarily through user charges.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are internal receivable and payable balances between governmental and business-type activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. Operating expenses of the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

*Restricted Assets*

Restricted assets in the enterprise funds consist of water and sewer impact fees and other net position for renewal, replacement and improvements which have been restricted by enabling legislation. Restricted assets in the governmental funds consist of funds set aside to comply with note 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.

Investments for the District are reported at fair value within the fair value hierarchy established in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, except for the position in the Florida State Board of Administration's and Florida Safe's Local Government Surplus Investment Pools (LGIP). In accordance with state law, the LGIP's operate in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the LGIP's qualify as a 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The Florida State Board of Administration is subject to regulatory oversight by the State of Florida, although it is not registered with the SEC.

**Notes to Financial Statements**

Year Ended September 30, 2018

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Inventories and Prepaid Items*

Inventories for the golf fund are valued at cost which approximates market value using the first-in, first-out (FIFO) method. 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.

*Receivables and Payables*

During the course of operations, transactions occur between individual funds. Any residual balances outstanding between governmental activities and business-type activities for internal borrowing are reported in the government-wide statements as "internal balances".

Accounts receivable and assessments receivable are shown net of an allowance for uncollectible amounts. These receivables will be recognized as revenue as they are collected. For the golf fund, accounts receivable outstanding in excess of 90 days, that are material, comprise the allowance. For water and sewer accounts receivable, amounts outstanding in excess of 90 days comprise the allowance. The assessment receivable allowance in the general and debt service funds is equal to 100% of outstanding delinquencies except for amounts outstanding in excess of five years which are written off.

*Capital Assets*

Capital assets, which include property, golf course, and recreation facilities, water and sewer improvements, machinery and equipment and infrastructure (roads, sidewalks, etc.), are reported in the applicable governmental or business-type activities. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 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 are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Land improvements	5-20
Buildings	10-40
Infrastructure	10-20
Roads and sidewalks	10-40
Golf course and improvements	20
Utility plant and infrastructure	5-40
Machinery and equipment	5-10

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

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Under Governmental Standards Board Statement 34 and related amendments, there is a requirement that certain capital assets be reported. However, the requirement permits certain entities to defer the retroactive reporting of its general infrastructure to a subsequent year and certain other entities may permanently exclude. While the District does report its capital assets prospectively, it has not made a decision at this time if this infrastructure will be included in future reports.

*Compensated Absences*

The District's policy permits employees to accumulate earned but unused vacation and sick pay benefits. Time accrues based on the level and length of service. Upon termination, sick time and vacation time is paid at 50% and 100%, respectively, of qualifying time earned but untaken. Accumulated paid personal time off is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is reported in governmental funds only if they have matured, as a result of employee resignation or retirement.

*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. Note premiums and discounts are deferred and amortized ratably over the life of the Notes. Notes payable are reported net of premiums or discounts.

In the fund financial statements, governmental fund types recognize premiums and discounts, 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.

*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. The District does not have any items that qualify for reporting in this category for the year ended September 30, 2018.

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. The District does not have any item that qualifies for reporting in this category for the year ended September 30, 2018.

*Assessments*

Assessments are non-ad valorem assessments on all platted lots within the district. Assessments are levied each November 1 on property as of the previous January 1 to pay for the operations and maintenance of the district and debt service on the notes. The fiscal year for which annual assessments are levied begins on October 1 with discounts available for payments through February 28 and become delinquent on April 1. Penalties are assessed to delinquent lot owners at a rate of 1% per month on the outstanding delinquent balance.

*Net Position Flow Assumption*

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted- net position and unrestricted- net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Fund Balance Flow Assumptions*

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

*Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes fund balance amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Supervisors is the highest level of decision-making authority for the government that can, by adoption of an ordinance or resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance or resolution remains in place until a similar action is taken to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Board of Supervisors has authorized the District Manager to assign amounts for specific purposes. The Board of Supervisors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above and additional action is essential to either remove or revise a commitment.

*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.

**NOTE 3 BUDGETARY INFORMATION (CONTINUED)**

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Each year, the General Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
2. Public hearings are conducted to obtain public comments.
3. Prior to October 1, the budget is legally adopted by the District Board.
4. All budget changes must be approved by the District Board.
5. The budgets are adopted on a basis consistent with accounting principles.
6. Unused appropriation for annually budgeted funds lapse at the end of the year.

The District also prepared annual operating budgets for the golf and utility funds.

**NOTE 4 CASH AND INVESTMENTS**

**Cash**

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.

**Investments**

The District categorizes its fair value measurements 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.

Instead of establishing a written investment policy, the District elected to limit investments to those approved by Florida Statutes. Authorized District investments include, but are not limited to:

1. The State Board of Administration Local Government Investment Pool (SBA);
2. Securities and Exchange Commission Registered Money Market Funds with the highest credit quality rating from a nationally recognized rating agency;
3. Savings accounts and certificates of deposit in state-certified qualified public depositories.
4. Direct obligations of the U.S. Treasury.

Investments made by the District at September 30, 2018 are summarized below. In accordance with GASB 31, investments are reported at amortized cost, which approximates fair value.

**NOTE 4 CASH AND INVESTMENTS (CONTINUED)**

Investment Type	Fair Value	Credit Rating	Maturity
Investment in Florida FIT	\$ 1,304,971	AA+	1 day
Investment in Florida Prime	1,012,932	AAAm	33 days
Certificate of Deposit	505,750	Not rated	11/13/2018
Certificate of Deposit	101,403	Not rated	2/1/2019
Certificate of Deposit	1,085,789	Not rated	2/14/2019
Certificate of Deposit	759,757	Not rated	8/6/2019
Certificate of Deposit	760,276	Not rated	2/18/2020
<b>Total Investments</b>	<b>\$ 5,530,878</b>		

**Credit Risk**

The District's investment policy limits credit risk by restricting authorized investments to those described. Investments in U.S. Government securities and agencies must be backed by the full faith and credit of the United States Government. Short term bond funds shall be rated by a nationally recognized ratings agency and shall maintain the highest credit quality rating.

**Custodial Credit Risk**

In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2018, all of the District's bank deposits were in qualified public depositories.

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2018, none of the investments listed are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

**Concentration of Credit Risk**

The District's investment policy does not specify limits on the amount the District may invest in any one issue.

**Interest Rate Risk**

The District's investment policy does not specifically address interest rate risk; however, the general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments. The District manages its exposure to declines in fair values by investing primarily in pooled investments that have a weighted average maturity of less than three months.

**Notes to Financial Statements**

Year Ended September 30, 2018

**NOTE 5 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund receivables and payables at September 30, 2018 were as follows:

	Receivable fund:			Total
	General Fund	Debt Service Fund	Capital Projects Fund	
Payable fund:				
General fund	\$ -	\$ 89	\$ -	\$ 89
Golf fund	21,085	-	-	21,085
Water and Sewer Utility	110,916	-	-	110,916
<b>Total</b>	<b>\$ 132,001</b>	<b>\$ 89</b>	<b>\$ -</b>	<b>\$ 132,090</b>

The outstanding balances between funds result primarily from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made. Balances between funds are for services paid by the General Fund to be reimbursed.

Interfund transfers for the fiscal year ended September 30, 2018 were as follows:

	Transfer in:			Total
	General Fund	Capital Projects Fund	Golf Fund	
Transfer out:				
General fund	\$ -	\$ 514,431	\$ 736,563	\$ 1,250,994
Water and Sewer Utility	514,431	-	-	514,431
<b>Total</b>	<b>\$ 514,431</b>	<b>\$ 514,431</b>	<b>\$ 736,563</b>	<b>\$ 1,765,425</b>

Transfers were used to move revenues from the fund where collection occurs to the fund where funds have been reallocated for use. The general fund pays for certain costs for the golf fund, by either directly paying vendors or transferring cash to the golf fund to pay vendors. The general fund also pays costs on behalf of the utility fund and is subsequently reimbursed by the utility fund. \$514,431 was transferred from the water and sewer fund URRIF to the general fund and ultimately to the capital projects fund to finish construction of the maintenance facility.

**Notes to Financial Statements**

Year Ended September 30, 2018

**NOTE 6 RECEIVABLES**

The District has recorded the following assessment receivable for past due amounts. During the fiscal year ended September 30, 2018, a portion of prior year assessments were collected. The District is in the process of foreclosing on certain properties which have not paid the amounts owed. Due to the uncertainty related to the cost of foreclosure and the ultimate realization from the sale of foreclosed properties the receivables have been shown with a 100% allowance, except for collectible amounts.

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Receivables:			
Accounts	\$ 12,836,861	\$ 15,121,070	\$ 27,957,931
Less allowance for uncollectible accounts	<u>(12,835,343)</u>	<u>(15,121,070)</u>	<u>(27,956,413)</u>
	<u>\$ 1,518</u>	<u>\$ -</u>	<u>\$ 1,518</u>

During the fiscal year ended September 30, 2018, there was an increase in the amount of delinquent assessments and corresponding allowance. The District is continuing with foreclosure proceedings on certain delinquent accounts.

Receivables in the golf fund are considered fully collectible, therefore no allowance for uncollectibles is recorded.

Receivables in the water and sewer fund are reported net of uncollectible amounts. Total accounts receivable and uncollectible amounts at September 30, 2018 are as follows:

Accounts Receivable for Utility Sales	\$ 280,969
Other Receivables	4,371
Uncollectibles	<u>(57,728)</u>
<b>Net receivables</b>	<u>\$ 227,612</u>



**NOTE 7 CAPITAL ASSETS**

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

	Beginning Balance	Increases	Reductions	Transfers	Ending Balance
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 520,477	\$ -	\$ -	\$ -	\$ 520,477
Construction in progress	1,388,162	631,201	-	(1,885,885)	133,478
<b>Total capital assets not being depreciated</b>	<b>1,908,639</b>	<b>631,201</b>	<b>-</b>	<b>(1,885,885)</b>	<b>653,955</b>
<b>Capital assets being depreciated:</b>					
Buildings	7,989,019	-	-	1,860,975	9,849,994
Infrastructure	802,886	215,495	-	-	1,018,381
Roads and sidewalks	4,424,396	73,944	-	-	4,498,340
Golf course and improvements	6,988,028	226,841	(8,612)	-	7,206,257
Machinery and equipment	3,592,367	632,187	(471,517)	24,910	3,777,947
<b>Total capital assets being depreciated</b>	<b>23,796,696</b>	<b>1,148,467</b>	<b>(480,129)</b>	<b>1,885,885</b>	<b>26,350,919</b>
Less accumulated depreciation for:					
Buildings	(2,167,071)	(328,049)	-	-	(2,495,120)
Infrastructure	(335,723)	(42,694)	-	-	(378,417)
Roads and sidewalks	(1,349,316)	(162,481)	-	-	(1,511,797)
Golf course and improvements	(4,145,234)	(207,137)	5,982	-	(4,346,389)
Machinery and equipment	(2,444,911)	(396,202)	321,104	-	(2,520,009)
<b>Total accumulated depreciation</b>	<b>(10,442,255)</b>	<b>(1,136,563)</b>	<b>327,086</b>	<b>-</b>	<b>(11,251,732)</b>
<b>Total capital assets, being depreciated, net</b>	<b>13,354,441</b>	<b>11,904</b>	<b>(153,043)</b>	<b>1,885,885</b>	<b>15,099,187</b>
<b>Government activities capital assets, net</b>	<b>\$ 15,263,080</b>	<b>\$ 643,105</b>	<b>\$ (153,043)</b>	<b>\$ -</b>	<b>\$ 15,753,142</b>

**Depreciation Allocation:**

General Government	\$ 86,370
Public Safety	17,162
Transportation	290,202
Culture and Recreation	742,829
	<u>\$ 1,136,563</u>

**NOTE 7 CAPITAL ASSETS (CONTINUED)**

	Beginning Balance	Increases	Reductions	Transfers	Ending Balance
<b>Business-type Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 184,842	\$ -	\$ -	\$ -	\$ 184,842
Construction in progress	-	53,516	-	-	53,516
<b>Total capital assets not being depreciated</b>	<b>184,842</b>	<b>53,516</b>	<b>-</b>	<b>-</b>	<b>238,358</b>
<b>Capital assets, being depreciated:</b>					
Buildings	52,192	-	-	-	52,192
Utility plant and infrastructure	17,643,599	-	-	-	17,643,599
Machinery and equipment	521,127	-	(17,750)	-	503,377
<b>Total capital assets being depreciated</b>	<b>18,216,918</b>	<b>-</b>	<b>(17,750)</b>	<b>-</b>	<b>18,199,168</b>
Less accumulated depreciation for:					
Buildings	(40,132)	(862)	-	-	(40,994)
Utility plant and infrastructure	(8,887,742)	(581,204)	-	-	(9,468,946)
Machinery and equipment	(343,298)	(35,301)	17,750	-	(360,849)
<b>Total accumulated depreciation</b>	<b>(9,271,172)</b>	<b>(617,367)</b>	<b>17,750</b>	<b>-</b>	<b>(9,870,789)</b>
<b>Total capital assets being depreciated, net</b>	<b>8,945,746</b>	<b>(617,367)</b>	<b>-</b>	<b>-</b>	<b>8,328,379</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 9,130,588</b>	<b>\$ (563,851)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,566,737</b>
<b>Depreciation Allocation:</b>					
Utility			\$ 617,367		
<b>Total depreciation expense</b>			<b>\$ 617,367</b>		

**NOTE 8 PROPERTIES HELD FOR SALE**

Acting in a fiduciary capacity, as required by the special assessment Bond and Note, through various means, the District has become the owner of record of many undeveloped plots of land within the District. The District is required by the debt agreements to attempt to market and sell these properties with any sale proceeds used to satisfy the related debt encumbered upon the properties. These properties are encumbered by debt liens that exceed the fair market value of the underlying property and are therefore not recorded as an asset on the District's financial statements. The District is also not liable for the encumbered debt due to its actions as fiduciary, as specified in the Bond and Note agreements. As a result of the liens exceeding the value of the properties, the District has been unsuccessful in its attempts to sell these properties.

**NOTE 8            PROPERTIES HELD FOR SALE (CONTINUED)**

Because the District is the owner of record of these properties, it is billed ad valorem and other taxes by the County. The District does not intend to pay these taxes. The District has determined, with the assistance of legal counsel, that it will never be held financially liable for the past due taxes and that the only consequence of nonpayment of the taxes would be the loss of the underlying properties.

Due to the totality of these circumstances, the District has recorded no asset or liability relating to these actions on the financial statements.

**NOTE 9            LEASE OBLIGATIONS**

The District has entered into a lease agreement as a lessee for financing the acquisition of golf equipment. This lease agreement qualifies as a capital lease for accounting purposes and, accordingly, has been recorded at the present value of its future minimum lease payments as of the inception date. The aggregate cost and accumulated depreciation of assets acquired through capital leases are as follows:

	Governmental Activities
Machinery and equipment	\$ 411,212
Less accumulated depreciation	(61,682)
Net	<u>\$ 349,530</u>

The future minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2018, were as follows:

Year ending September 30:	Governmental Activities
2019	\$ 71,479
2020	71,661
Total minimum lease payments	143,140
Less: amount representing interest	(6,868)
Present value of minimum lease payments	<u>\$ 136,272</u>

**NOTE 10      LONG TERM LIABILITIES**

**Series 2008 Special Assessment Note**

On August 2006, the District issued Special Assessment Bond Anticipation Note Series 2006 in the amount of \$8,798,065. The purpose of the 2006 Note was to provide interim funding for the costs associated with the construction of central water and sewer services for Areas "A" and "C" of Unit 16 of the District. On or about March 2008, the District issued Special Assessment Note Series 2008 in the amount of \$10,000,000. The purpose of the 2008 Note was to redeem the 2006 Note, to fund a debt service reserve fund, and to pay the cost of issuing the Note. The District did in fact redeem the 2006 Note. The construction of the central water and service areas for Areas "A" and "C" of Unit 16 was in fact completed. The Note is secured by first lien on all revenues received from special assessments levied and collected on parcels benefited from the Unit 16 A & C project, all monies on deposit in the funds and accounts established, and on any proceeds from Bonds Issued. The interest rate will be equal to 68% of the 180 day LIBOR rate plus 325 basis points. Principal and interest on the Note will be payable on each May 1 and November 1 commencing November 1, 2008. In May 2009, the due date of the Series 2008 Note was extended from March 29, 2009 to March 28, 2010.

The District collections from property owners were insufficient to pay the principal and interest due during the current and prior year. The Note has matured; therefore, the amounts have been reported on the fund financial statements of the District as a current liability at the year ended September 30, 2018 of \$10,837,856. Because the District itself is not liable for nonpayment of the Note, it is not in default.

In a prior year, as a result of nonpayment, the Note holder closed the accounts related to the Note and used the funds on deposit to make debt service payments. The District is now required to deposit assessments collected into an escrow account held by counsel of the Note holder.

Under the terms of the Note agreement, the District is obligated to obtain permanent financing to refund the Note. In accordance with GASB Cod. Sec. S40, *Special Assessments*, the Note is therefore considered a liability of the District.

Changes in long-term liability activity for the fiscal year ended September 30, 2018 were as follows:

	Beginning Balance	Additions/ Transfers	Reductions/ Transfers	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Capital lease	\$ -	\$ 207,751	\$ (71,479)	\$ 136,272	\$ 66,927
Compensated absences	104,920	10,208	(10,492)	104,636	10,463
<b>Total</b>	<b>\$ 104,920</b>	<b>\$ 217,959</b>	<b>\$ (81,971)</b>	<b>\$ 240,908</b>	<b>\$ 77,390</b>
<b>Business-Type Activities</b>					
Compensated absences	\$ 39,222	\$ 9,239	\$ (3,922)	\$ 44,539	\$ 4,454
<b>Total</b>	<b>\$ 39,222</b>	<b>\$ 9,239</b>	<b>\$ (3,922)</b>	<b>\$ 44,539</b>	<b>\$ 4,454</b>

## **NOTE 10      PHASE V BOND AGREEMENT RESTRUCTURED**

### **Background**

The Phase V Bond was initially issued in 1992. As many of the properties subject to the bond were marketed to foreigners by the prior developer of the District, the District experienced a high number of properties that did not honor the bond obligation. This was largely due to promised developer improvements that were never made, coupled with a down turn in economies of their respective countries. Rather than declare the Phase V Bond in default, the Phase V Bond holder - Van Kampen Merritt - elected to enter into an agreement with the District to work out the bond payments. The bondholder also owned a number of properties subject to the Phase V Bond, which it received from the bankrupt developer. The carrying cost for the property was relatively high (all properties owned by the bondholder were subject to District operating and maintenance assessments) which only made a bad situation worse. To remove the obligation of carrying costs for the District assessments, as well as employing some mechanism to work out the prior indebtedness to the District for the previously levied operation and maintenance assessments (\$700,000), Sun 'n Lake, Inc. (the company that was wholly owned by the bondholder and owned properties within the District) was joined to the agreement between the bondholder and the District.

The District accepted delivery of a deed in lieu of foreclosure for all the company's lots, and as lots were now under District ownership, no assessments were levied against the property, because the District does not assess property it owns. The bondholder further agreed to make a payment of \$100,000 upon execution of the agreement toward the back assessment arrearages, and an additional \$100,000 per year (with back assessments on a given lot credited against such amount when property was sold) until the remaining \$600,000 was paid. All company owned lots were placed into a District "lot pool" with an option to repurchase the lots for \$1.00 each upon sale by Sun 'n Lake, Inc. The District received each annual payment and the \$700,000 delinquency was fully satisfied. Pursuant to the agreement, the bondholder agreed to take no action against the District, and the bondholder agreed that the net proceeds from the lot sales and future collection of assessments would be accepted as full payment for the amount due under the Phase V Bond. The lien of the Phase V Bond, however, remained in full force and effect.

The bondholder ultimately elected to transfer the Phase V Bond and all remaining properties on which it had the option to purchase through the lot pool, and successfully found a purchaser for both the properties and the bond in National Recreational Properties, Inc. ("NRPI"). During 2004, the properties and the bond were sold but NRPI realized that in order to successfully market the property, it would require that the delinquent payments and accrued penalties and interest be restructured, as the accumulated delinquent principal, interest and penalties were simply too great for the property to be affordable on an easy low down payment basis. The Phase V Bond restructuring was approved by the Circuit Court in and for Highlands County, Florida, Case Number GC04-448, by Order dated September 2, 2004.

### **Land Sale and Purchase Agreement**

In addition to the Sun 'n Lake, Inc. "lot-pool" lots, NRPI was further interested in acquiring the property inventory of the District which had been accumulated over the years due to foreclosure of delinquent operations and maintenance assessments. A land sale agreement and purchase agreement was negotiated during the fiscal year ended September 30, 2005, and the District lot inventory of foreclosed property was transferred to NRPI in several transactions for several million dollars. These funds were realized in the form of cash payments to the District, and liquidation of other debts owed by the District, inclusive of delinquent ad valorem taxes on the foreclosed properties, debt the District owed on its golf courses, and similar operation debts. The District continues to actively monitor properties which have delinquent assessments owed either for the Phase V project or operations and maintenance assessments of the District.

**NOTE 10 PHASE V BOND AGREEMENT RESTRUCTURED (CONTINUED)**

The land sale and purchase agreement, as well as the Phase V Bond agreement, were amended. In the last agreement by the District with NRPI, NRPI agreed that it would not only pay assessments on all property owned within the District on an ongoing basis (in exchange for a reduction in the amount it agreed to pay for the new golf course clubhouse), but further agreed that it had the obligation to purchase all properties foreclosed upon the District as part of its inventory available for resale. NRPI is delinquent in payment of its annual assessments and is believed to be an inactive corporation.

In accordance with GASB Cod. Sec. S40, *Special Assessments*, the outstanding liability for these bonds and the related balances are not included in the District's financial statements because the District's only obligation under the Bond agreement is to collect and remit assessments to the Bondholder.

**NOTE 11 DEFICIT FUND BALANCE**

The debt service fund had a deficit fund balance of \$10,837,767 at September 30, 2018. It is unclear how this deficit will be covered as the District has not collected sufficient assessments subsequent to year end.

The golf special revenue fund had a deficit fund balance of \$173,515 due to timing of transfers from the general fund and excess of expenditures over revenues.

**NOTE 12 COMMITMENTS**

The District entered into a management agreement on October 1, 2014, with Billy Casper Golf, LLC to supervise, direct and control the management, development, marketing and operation of the Sun 'n Lake Golf and Country Club. The agreement has no ending date and provides that either party may terminate the agreement with 180 days' notice. The monthly management fee is \$9,000 per month plus performance incentives during the term of this agreement. During fiscal year 2018, the District paid \$104,999 to Billy Casper Golf, LLC as management fees under these agreements. Effective October 1, 2016 the fee increased to \$10,000 per month with no incentive.

**NOTE 13 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 environmental remediation. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may extend to all situations. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

**NOTE 14 DEFINED CONTRIBUTION PLANS**

The District has a 401(a) Money Purchase Plan which is a defined contribution plan established to provide benefits at retirement for all full-time employees. At September 30, 2018, there were 27 participants. The District is required to contribute 100% match on behalf of each participant up to 5% of participant salaries contributed by the employee for the plan year. Employees are 50% vested after one year of service and fully vested after two years of service. The District contributes an amount equal to 10% of the District Manager's salary, in accordance with her employment contract. District contributions for the General Manager vest ratably over a four year period from the date of the first contribution by the District. Plan provisions and contribution requirements are established and may be amended by the District Board.

**NOTE 14      DEFINED CONTRIBUTION PLANS (CONTINUED)**

District matching contributions to the plan were \$47,365 for the fiscal year ended September 30, 2018.

The District also has a 457 deferred compensation plan established to provide benefits at retirement to all employees. All non-seasonal employees are eligible, and there is no District matching requirement. At September 30, 2018 there were seven participants. Plan provisions and contribution requirements are established and may be amended by the District Board.

The plan assets are administered by ICMA Retirement Corp. Participants have access to the information regarding their account balances through ICMA. The District does not exercise any control over the plan assets.

The District has no post-employment benefits for healthcare or insurance.

**NOTE 15      SUBSEQUENT EVENTS**

Subsequent to year end, as a result of insufficient collection of assessments, only a portion of the interest payment and none of the principal payment due on November 1, 2018 on the Phase V Bonds was made.

In January 2019, the District approved the purchase of various equipment under capital lease in the amount of \$673,688.

**Required Supplementary Information**



Sun 'n Lake of Sebring Improvement District, Sebring, Florida  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - General Fund**  
For the Fiscal Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Assessments	\$ 3,540,000	\$ 3,540,000	\$ 3,401,084	\$ (138,916)
Penalty and interest on assessments	70,000	70,000	88,160	18,160
Fees and fines	15,000	15,000	2,171	(12,829)
Licenses and permits	1,000	1,000	4,570	3,570
Charges for services	146,500	146,500	134,754	(11,746)
Investment earnings	20,000	50,000	63,403	13,403
Miscellaneous	20,000	227,966	288,478	60,512
<b>Total revenues</b>	<b>3,812,500</b>	<b>4,050,466</b>	<b>3,982,620</b>	<b>(67,846)</b>
<b>Expenditures:</b>				
Current:				
Financial and administrative	881,430	1,177,930	1,098,420	79,510
Community services	208,245	208,245	143,322	64,923
Facilities and grounds	282,350	282,350	280,248	2,102
Code enforcement and security	321,000	321,000	293,655	27,345
Roads and drainage	1,313,625	1,256,125	1,224,308	31,817
Recreation and leisure	354,350	354,350	308,540	45,810
<b>Total expenditures</b>	<b>3,361,000</b>	<b>3,600,000</b>	<b>3,348,493</b>	<b>251,507</b>
<b>Excess of revenues over expenditures</b>	<b>451,500</b>	<b>450,466</b>	<b>634,127</b>	<b>183,661</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of capital assets	-	-	9,350	9,350
Sale of land purchased for resale	-	-	7,505	7,505
Transfers in	100,000	619,842	514,431	(105,411)
Transfers out	(682,500)	(1,260,247)	(1,250,994)	9,253
<b>Total other financing sources (uses)</b>	<b>(582,500)</b>	<b>(640,405)</b>	<b>(719,708)</b>	<b>(79,303)</b>
<b>Net change in fund balance*</b>	<b>(131,000)</b>	<b>(189,939)</b>	<b>(85,581)</b>	<b>104,358</b>
Fund balance, beginning	4,454,079	4,454,079	4,454,079	-
<b>Fund balance, ending</b>	<b>\$ 4,323,079</b>	<b>\$ 4,264,140</b>	<b>\$ 4,368,498</b>	<b>\$ 104,358</b>

\* The net change in fund balance was included in the budget as an appropriation of fund balance.

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 receipt and cash expenditures which are approved by the Board. The budget approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

The differences between the 2018 original budget and the final amended budget are adopted by the Board throughout the year. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate.

The negative variance between budgeted and actual general fund revenues for the 2018 fiscal year was \$67,846, as the District collected less assessments than anticipated. The actual general fund expenditures for the 2018 fiscal year were \$251,507 lower than budgeted amounts due primarily to lower legal and marketing expenses than anticipated.

The District adopts a non-appropriated operating budget for the Golf Special Revenue and the Capital Projects Funds that are used for internal planning, control, and review purposes only. Generally accepted accounting principles only require the presentation of appropriated budgets adopted to meet legal requirements as required supplementary information. Because the District is not legally required to adopt an appropriated budget for these funds, this information is not presented.

## **Compliance Section**

**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  
*Sun 'n Lake of Sebring Improvement District*

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, and each major fund, of the *Sun 'n Lake of Sebring Improvement District, Sebring, Florida*, as of and for the fiscal year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 14, 2019.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests on 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 result 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 that we reported to management of the District, in a separate letter dated March 14, 2019. The District's response to our findings identified in our audit is included in this report. We did not audit the District's response, and accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*McDiernit Davis & Company, LLC*

March 14, 2019  
Orlando, Florida

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES**

To the Board of Supervisors  
*Sun 'n Lake of Sebring Improvement District*

We have examined Sun 'n Lake of Sebring Improvement District's (the "District") compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2018. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, Sun 'n Lake of Sebring Improvement District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.

*McDirmit Davis & Company, LLC*

Orlando, Florida  
March 14, 2019

**MANAGEMENT LETTER**

To the Board of Supervisors  
*Sun 'n Lake of Sebring Improvement District, Florida*

**Report on the Financial Statements**

We have audited the financial statements of the Sun 'n Lake of Sebring Improvement District, Florida, as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated March 14, 2019.

**Auditor's Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the 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 March 14, 2019, should be considered in conjunction with this management letter.

**Prior Audit Findings**

Section 10.554(1)(i).1., Rules of the Auditor General, require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial report, except as noted below:

Tabulation of Uncorrected Audit Findings

Current Year Finding #	FY 2017 Finding #	FY 2016 Finding #
ML 2018-01	ML 2017-01	ML 2016-02

**Official Title and Legal Authority**

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

**Financial Condition and Management**

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and communicate the results of our determination as to whether or not the Sun 'n Lake of Sebring Improvement District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Sun 'n Lake of Sebring Improvement District, Florida met one of the conditions described in Section 218.503(1), Florida Statutes, as described in Appendix A to this report.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the District. It is management's responsibility to monitor the Sun 'n Lake of Sebring Improvement District's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same. In connection with our audit, we determined that the Sun 'n Lake of Sebring Improvement District, Florida met one of the conditions described in Section 218.503(1), Florida Statutes, as described in Appendix A to this report.

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 that we 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 which 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 members of 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.

*McDiernit Davis & Company, LLC*

Orlando, Florida  
March 14, 2019



**Appendix A - Financial Emergency Condition**

Year Ended September 30, 2018

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**2018-01 Failure to Make Debt Service Payments When Due**

In the current and prior years, The District collections from property owners were insufficient to pay the principal and interest due on the Series 2008 Note; therefore, the District meets one of the criteria specified in Section 218.503(1) (a), Florida Statutes, as a condition of financial emergency.

Tanya Cannady CPA, CDM, General Manager  
Michael Hurley, Facilities & Security Director  
Omar Defesus CPA, Finance Director



SUN 'N LAKE  
OF SEBRING IMPROVEMENT  
DISTRICT

Board of Supervisors:  
Mark Camp, President  
Joseph Branson, Vice-President  
Michael Gilpin, Supervisor  
William D. Stegall, Supervisor  
Raymond Brooks, Supervisor

March 13, 2019

McDirmit Davis & Company LLC  
934 North Magnolia Ave, Suite 100  
Orlando, FL 32803

Management responses to current year recommendations to improve internal controls and financial management:

2018-01 Failure to Make Debt Service Payments When Due

**Finding** – The auditor noted failure to make debt service payments on the Series 2008 Note due to insufficient collections from landowners. This meets one of the criteria specified under financial emergency of Section 218.503 (1)(a), Florida Statutes.

**Management Responses to Finding** – Management disagrees that the District meets the financial emergency condition criteria of Section 218.503(1)(a), Florida Statutes. The section reads as follows:

- a) Failure within the same fiscal year in which due to pay to pay short-term loans or failure to make bond debt serviced or other long-term debt payments when due, **as a result of lack of funds**. (emphasis added)

The Series 2008 Note is not a general obligation of the District and is secured by a lien of the District on all designated improved properties. Debt payments are collected from landowners throughout the year and the District remits these collections (less a 1% collection fee) to the trustee on a monthly basis. The noted failure is not a result of the District's lack of funds, but rather the landowners' failure to pay the amounts assessed by the District. The District has no obligation under the note other than to remit the required percentage of the amounts collected, which it properly and fully performs.

Tanya Cannady, CPA  
General Manager  
Sun 'n Lake of Sebring Improvement District

To The Board of Supervisors  
*Sun 'n Lake of Sebring Improvement District*

We have audited the financial statements of *Sun 'n Lake of Sebring Improvement District, Sebring, Florida* as of and for the year ended September 30, 2018, and have issued our report thereon dated March 14, 2019. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated August 7, 2018, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Sun 'n Lake of Sebring Improvement District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant control deficiencies over financial reporting and material noncompliance, and other matters noted during our audit in a separate letter to you dated March 14, 2019.

**Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

**Compliance with All Ethics Requirements Regarding Independence**

The engagement team, and others in our firm, as appropriate, and our network firms have complied with all relevant ethical requirements regarding independence.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Sun 'n Lake of Sebring Improvement District is included in Note 2 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2018. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive estimates affecting the District's financial statement were:

Management's estimate for the allowance for doubtful accounts is based on historical loss levels, and an analysis of the individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate for the allowance for depreciation is based on the estimated useful lives of the capital assets. We evaluated the reasonableness of the useful lives as well as the depreciation methods in determining that it is reasonable in relation to the financial statements taken as a whole.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Sun 'n Lake of Sebring Improvement District's financial statements relate to delinquent debt as described in Notes 10 and 11.

## **Significant Difficulties Encountered During the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

## **Corrected and Uncorrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

## **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the Sun 'n Lake of Sebring Improvement District's financial statements or the auditor's report. No such disagreements arose during the course of our audit.

**Representations Requested from Management**

We have requested certain representations from management, which are included in the attached letter dated March 14, 2019.

**Management Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

**Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with Sun 'n Lake of Sebring Improvement District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Sun 'n Lake of Sebring Improvement District's auditors.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This report is intended solely for the information and use of the Board of Supervisors, and the Auditor General of the State of Florida, and management of Sun 'n Lake of Sebring Improvement District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*McDiernit Davis & Company, LLC*

Orlando, Florida  
March 14, 2019

**Financial Report**

**September 30, 2019**



**SUN 'N LAKE**  

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**GOLF & RECREATION**

**Sun 'N Lake of Sebring  
Improvement District  
Sebring, Florida**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
*Sun 'n Lake of Sebring Improvement District*

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the *Sun 'n Lake of Sebring Improvement District, Sebring, Florida* (the "District"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Sun 'n Lake of Sebring Improvement District, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 3 and budgetary comparison information on pages 36 and 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued a report dated April 30, 2020 on our consideration of Sun 'n Lake of Sebring Improvement District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Sun 'n Lake of Sebring Improvement District's internal control over financing reporting and compliance.

*McDiarmid Davis*

Orlando, Florida  
April 30, 2020

Our discussion and analysis of Sun 'n Lake of Sebring Improvement District, Sebring, Florida's ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2019. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements themselves.

#### **Financial Highlights**

- The assets of the *District* exceeded its liabilities at September 30, 2019, resulting in a net position of \$32,731,181.
- The District's total net position in comparison with the prior year increased by \$141,518. The key components of the District's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- At September 30, 2019, the District's governmental funds reported combined ending fund balance of \$3,111,487, a decrease of \$1,083,496 in comparison with the prior year. This decrease resulted primarily due to capital outlay in the general fund.
- At September 30, 2019, the District's unassigned fund balance in the general fund was \$2,708,544 or 82% of total general fund balance which is available for spending at the District's discretion.

#### **Overview of the Financial Statements**

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

#### **Government-Wide Financial Statements**

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

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two 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.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by assessments (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include general (administration, finance, and community services), public safety (code enforcement and security), transportation (roads and drainage) and culture and recreation. The business-type activities of the District include the Utility (water and sewer) operation.

#### **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 two fund categories: governmental and proprietary 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 financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains three governmental funds for external reporting. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the general, golf special revenue, and capital projects funds. The general, golf special revenue, and capital projects funds are considered to be major funds.

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

The District also adopts an annual non-appropriated operating budget for the golf, capital projects, and utility funds.

#### *Proprietary Funds*

The District maintains one type of proprietary fund: enterprise. The District maintains one enterprise fund. An enterprise fund is used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District uses an enterprise fund to account for the operations of the water and sewer utility services within the District.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the utility fund, which is considered a major fund.

#### **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.

#### **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information regarding the District's budget and actual revenues and expenses of the General Fund.

#### **Government-Wide Financial Analysis**

##### *Summary Schedule of Net Position*

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$32,731,181 at the close of the most recent fiscal year.

Sun 'n Lake of Sebring Improvement District, Sebring, Florida  
**Management's Discussion and Analysis**

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

**Statement of Net Position as of September 30:**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
<b>Assets:</b>						
Current and other assets	\$ 4,583,411	\$ 4,986,646	\$ 5,043,192	\$ 4,562,257	\$ 9,626,603	\$ 9,548,903
Capital assets, net	17,052,782	15,753,142	8,516,071	8,566,737	25,568,853	24,319,879
<b>Total assets</b>	<b>21,636,193</b>	<b>20,739,788</b>	<b>13,559,263</b>	<b>13,128,994</b>	<b>35,195,456</b>	<b>33,868,782</b>
<b>Liabilities:</b>						
Current liabilities	1,475,489	11,633,166	276,107	198,273	1,751,596	11,831,439
Long-term liabilities	678,640	240,908	34,039	44,539	712,679	285,447
<b>Total liabilities</b>	<b>2,154,129</b>	<b>11,874,074</b>	<b>310,146</b>	<b>242,812</b>	<b>2,464,275</b>	<b>12,116,886</b>
<b>Net Position:</b>						
Net investment in capital assets	16,459,934	4,779,014	8,516,071	8,566,737	24,976,005	13,345,751
Restricted	-	-	3,840,427	3,194,682	3,840,427	3,194,682
Unrestricted	3,022,130	4,086,700	892,619	1,124,763	3,914,749	5,211,463
<b>Total net position</b>	<b>\$ 19,482,064</b>	<b>\$ 8,865,714</b>	<b>\$ 13,249,117</b>	<b>\$ 12,886,182</b>	<b>\$ 32,731,181</b>	<b>\$ 21,751,896</b>

The largest portion of the District's net position, \$24,976,005, (76%) reflects its investment in capital assets (e.g., land, land improvements, equipment 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, \$3,840,427, represents funds set aside for renewal and replacement and impact fee projects. Restrictions are made by enabling legislation for future capital renewal and replacement and expansion.

The results of this year's operations for the District as a whole are reported in the statement of activities. The net position of the District's governmental activities decreased \$221,417 and the net position of the business-type activities increased \$362,935 in comparison with the prior year.

Sun 'n Lake of Sebring Improvement District, Sebring, Florida  
**Management's Discussion and Analysis**

**Schedule of Changes in Net Position**

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 7,027,202	\$ 7,361,731	\$ 2,430,200	\$ 2,342,896	\$ 9,457,402	\$ 9,704,627
Operating grants and contributions	218,471	135,747	-	-	218,471	135,747
Capital grants and contributions	-	-	40,000	33,600	40,000	33,600
General revenues:						
Investment earnings	82,726	63,403	78,314	48,990	161,040	112,393
Other	53,676	220,004	-	-	53,676	220,004
<b>Total revenues</b>	<b>7,382,075</b>	<b>7,780,885</b>	<b>2,548,514</b>	<b>2,425,486</b>	<b>9,930,589</b>	<b>10,206,371</b>
<b>Expenses:</b>						
Governmental activities:						
General government	2,034,535	1,929,854	-	-	2,034,535	1,929,854
Public safety	322,998	310,737	-	-	322,998	310,737
Transportation	1,119,405	559,944	-	-	1,119,405	559,944
Culture and recreation	4,112,293	4,764,405	-	-	4,112,293	4,764,405
Interest	14,261	454,590	-	-	14,261	454,590
Business - type activities:						
Water and sewer utilities	-	-	2,185,579	2,093,097	2,185,579	2,093,097
<b>Total expenses</b>	<b>7,603,492</b>	<b>8,019,530</b>	<b>2,185,579</b>	<b>2,093,097</b>	<b>9,789,071</b>	<b>10,112,627</b>
<b>Increase (Decrease) in Net Position Before Transfers</b>	<b>(221,417)</b>	<b>(238,645)</b>	<b>362,935</b>	<b>332,389</b>	<b>141,518</b>	<b>93,744</b>
<b>Transfers</b>	<b>-</b>	<b>514,431</b>	<b>-</b>	<b>(514,431)</b>	<b>-</b>	<b>-</b>
<b>Increase (Decrease) in Net position</b>	<b>(221,417)</b>	<b>275,786</b>	<b>362,935</b>	<b>(182,042)</b>	<b>141,518</b>	<b>93,744</b>
<b>Net position, beginning</b>	<b>8,865,714</b>	<b>8,589,928</b>	<b>12,886,182</b>	<b>13,068,224</b>	<b>21,751,896</b>	<b>21,658,152</b>
<b>Prior period restatement</b>	<b>10,837,767</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,837,767</b>	<b>-</b>
<b>Net position, end</b>	<b>\$ 19,482,064</b>	<b>\$ 8,865,714</b>	<b>\$ 13,249,117</b>	<b>\$ 12,886,182</b>	<b>\$ 32,731,181</b>	<b>\$ 21,751,896</b>

**Governmental Activities**

Charges for services accounted for 95% of the total governmental revenues, which consisted primarily of assessments for the current and prior year. The decrease in charges for services from the previous year was \$334,529. The decrease is primarily attributable to assessment payments not received on vacant lots. The cost of all governmental activities during the fiscal year ended September 30, 2019 was \$7,603,492, which was a decrease of 5% from the prior year. Culture and recreation services accounted for 54% of total expenses.

Governmental activities beginning balances were restated in 2019. Please see Note 3 for more information.

**Business-Type Activities**

The cost of the business-type activities was \$2,185,579, a 4% increase from the prior year. The costs of those activities were paid for by charges for services, which accounted for 95% of total business-type revenues.

**Financial Analysis of the District's Funds**

*Governmental Funds*

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund balance decreased \$1,053,264 (24%) from the previous year and is reporting an ending balance of \$3,315,234. Of this balance \$2,708,544 is unassigned, which represents 81% of 2019 expenditures.

The Golf Special Revenue Fund reported a net increase in fund balance of \$37,184, after transfers in of \$829,471. The increase resulted in an ending fund balance deficit of \$(136,331).

The Capital Projects Fund reported an ending fund balance deficit of \$(67,416) after transfer in of \$731,033 and capital expenditures of \$798,449.

*Proprietary Funds*

The *District's* proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Water and Sewer Utility Fund reported an operating profit of \$244,621, which is a decrease of \$5,178 from the previous year. Of the total net position in the amount of \$13,249,117, included in this amount is \$3,840,427 restricted for renewal, replacement, and improvement of capital assets. The improvement in operating results is due to decreased expenditures in repairs & maintenance of equipment.

**General Fund Budgeting Highlights**

The differences between the 2019 original budget and the final amended budget are adopted by the Board throughout the year. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate.

The positive variance between budgeted and actual general fund revenues for the 2019 fiscal year was \$145,177, primarily attributable to collection of FEMA reimbursements related to Hurricane Irma. The actual general fund expenditures for the 2019 fiscal year were \$520,078 lower than budgeted amounts primarily due to less capital expenditures than anticipated.

Sun 'n Lake of Sebring Improvement District, Sebring, Florida  
**Management's Discussion and Analysis**

**Capital Asset and Debt Administration**

Capital Assets  
*(Net of Accumulated Depreciation)*

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Land	\$ 520,477	\$ 520,477	\$ 184,842	\$ 184,842	\$ 705,319	\$ 705,319
Construction in Progress	983,963	133,478	57,933	53,516	1,041,896	186,994
Buildings, Infrastructure & Improvements	11,123,230	10,981,381	8,148,160	8,185,851	19,271,390	19,167,232
Machinery and Equipment	1,564,872	1,257,938	125,136	142,528	1,690,008	1,400,466
Golf Course & Improvements	2,860,240	2,859,868	-	-	2,860,240	2,859,868
<b>Total</b>	<b>\$ 17,052,782</b>	<b>\$ 15,753,142</b>	<b>\$ 8,516,071</b>	<b>\$ 8,566,737</b>	<b>\$ 25,568,853</b>	<b>\$ 24,319,879</b>

*Capital Assets*

At September 30, 2019, the District had \$25,568,853, net of accumulated depreciation, invested in capital assets for its governmental and business type activities. This investment in capital assets includes land, land improvements, infrastructure improvements, buildings, improvements other than buildings, vehicles, equipment and water and sewer system.

Capital assets increased from the prior year in the amount of \$1,248,974 due additions exceeding disposals and depreciation expense. The District's major project during the year was the completion of drainage improvements and water treatment plant electrical upgrades. The clubhouse kitchen remodel and lift stations are the major projects under construction at year end.

*Long-Term Debt*

At September 30, 2019, the District had a capital lease payable of \$592,848 outstanding for its governmental activities. See Note 10 for additional information.

### **Economic Factors, Next Year's Budget, and Rates**

The District's strategic objective for the 2019/2020 budget focused on sustaining exemplary levels of services and amenities offered to our residents while investing in the community's infrastructure and enhancing marketing to promote development and growth. Highlights include:

- The General Fund budget was adopted at \$4,290,000, a decrease of \$1,817,800 in comparison to the previous year's original adopted budget. Of the \$4.29 million, roughly \$3.8 million is operating revenues which have remained consistent year over year. The District Operation and Maintenance assessment revenues constitute for 88% of the operating revenues. The overall general fund budget is made whole utilizing a transfer in from the Utility Fund in the amount of \$315,000 and \$218,500 in General Fund reserves. This year's reserve funding do not include any major capital projects such as the Clubhouse Renovation which took place in the prior year budget. A future carryover is projected to complete the clubhouse renovation which was roughly 70% complete as of September 30, 2019.
- The economic conditions in the housing market has created a year over year increase of 50% in new construction. This results in not only additional one-time revenues, such as permit fees, but new annual recurring revenues, such as increased assessments and utility service charges. Additionally, the District is foreclosing on Unit 12 which is comprised of approximately 182 acres of vacant land. The District's intent is to market and promote this area to a large developer to capitalize further on market conditions.
- The Utility Fund was adopted at just over \$2.6 million, a decrease of 3% largely in part to budgeting to an excess and not requiring any reserves to balance the budget. This year's budget includes a \$4.25 increase to the water and sewer base charge which is an estimated increase in revenues of \$175,000. This year the Board budgeted to fund the Capital Improvement Fund, previously known as the URRIF (Utility Renewal Replacement Improvement Fund), in the amount of \$175,000. Of the \$2.6 million, there was \$510,000 budgeted for capital outlay.
- The Golf Fund was adopted at \$4.4 million in contrast to the previous year's \$4.6 million budget. Operationally, revenues and expenditures are expected to remain constant for golf operations and increase roughly \$200,000 for restaurant operations due to the new kitchen renovation. Golf membership and public green fees both sustained increases. Additionally, the Food and Beverage operations had a complete menu and pricing overhaul. Of the \$4.4 million, \$380,000 was budgeted for capital improvement projects for the golf courses and clubhouse. The operational subsidy was set at \$222,500 in comparison to the \$330,000 in the prior fiscal year. Future carryover projects are projected for the front entrance project and deer run pump station as they were not 100% complete as of September 30, 2019.

### **Requests for Information**

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Sun 'n Lake of Sebring Improvement District's Finance Department located at 5306 Sun 'n Lake Blvd., Sebring, FL 33872, or visit our website at [slnldistrict.org](http://slnldistrict.org).



**FINANCIAL STATEMENTS**

Sun 'n Lake of Sebring Improvement District, Sebring, Florida  
**Statement of Net Position**  
September 30, 2019

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,835,010	\$ 1,907,085	\$ 3,742,095
Investments	2,483,898	2,396,248	4,880,146
Receivables, net	7,110	244,113	251,223
Internal balances	101,743	(101,743)	-
Due from other governments	33,366	-	33,366
Inventories	107,913	-	107,913
Prepaid costs	14,371	4,000	18,371
Restricted assets:			
Cash and cash equivalents	-	593,489	593,489
Capital assets:			
Not being depreciated	1,504,440	242,775	1,747,215
Depreciable, net	15,548,342	8,273,296	23,821,638
<b>Total capital assets</b>	<b>17,052,782</b>	<b>8,516,071</b>	<b>25,568,853</b>
<b>Total assets</b>	<b>21,636,193</b>	<b>13,559,263</b>	<b>35,195,456</b>
<b>Liabilities</b>			
Accounts payable and accrued expenses	918,891	135,182	1,054,073
Accrued interest payable	3,565	-	3,565
Unearned revenues	505,638	-	505,638
Customer deposits and other liabilities	47,395	140,925	188,320
Noncurrent liabilities:			
Due within one year	219,652	3,404	223,056
Due in more than one year	458,988	30,635	489,623
<b>Total liabilities</b>	<b>2,154,129</b>	<b>310,146</b>	<b>2,464,275</b>
<b>Net Position</b>			
Net investment in capital assets	16,459,934	8,516,071	24,976,005
Restricted for:			
Renewal, replacement and improvement	-	3,387,863	3,387,863
Impact fee projects	-	452,564	452,564
Unrestricted	3,022,130	892,619	3,914,749
<b>Total net position</b>	<b>\$ 19,482,064</b>	<b>\$ 13,249,117</b>	<b>\$ 32,731,181</b>

Sun 'n Lake of Sebring Improvement District, Sebring, Florida  
**Statement of Activities**  
For the Fiscal Year Ended September 30, 2019

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Operating		Capital	Primary Government		
		Charges for Services	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary Government</b>							
Governmental Activities:							
General Government	\$ 2,034,535	\$ 1,849,850	\$ 218,471	\$ -	\$ 33,786	\$ -	\$ 33,786
Public Safety	322,998	286,453	-	-	(36,545)	-	(36,545)
Transportation	1,119,405	954,057	-	-	(165,348)	-	(165,348)
Culture and Recreation	4,112,293	3,936,842	-	-	(175,451)	-	(175,451)
Interest on Long-term debt	14,261	-	-	-	(14,261)	-	(14,261)
<b>Total governmental activities</b>	<u>7,603,492</u>	<u>7,027,202</u>	<u>218,471</u>	<u>-</u>	<u>(357,819)</u>	<u>-</u>	<u>(357,819)</u>
Business-type activities:							
Water and Sewer	2,185,579	2,430,200	-	40,000	-	284,621	284,621
<b>Total business-type activities</b>	<u>2,185,579</u>	<u>2,430,200</u>	<u>-</u>	<u>40,000</u>	<u>-</u>	<u>284,621</u>	<u>284,621</u>
<b>Total primary government</b>	<u>\$ 9,789,071</u>	<u>\$ 9,457,402</u>	<u>\$ 218,471</u>	<u>\$ 40,000</u>	<u>(357,819)</u>	<u>284,621</u>	<u>(73,198)</u>
General Revenues:							
Unrestricted investment earnings					82,726	78,314	161,040
Miscellaneous					47,469	-	47,469
Gain on disposal of capital assets					6,207	-	6,207
<b>Total general revenues and transfers</b>					<u>136,402</u>	<u>78,314</u>	<u>214,716</u>
<b>Change in net position</b>					<u>(221,417)</u>	<u>362,935</u>	<u>141,518</u>
Net position, beginning					8,865,714	12,886,182	21,751,896
Prior period restatement					10,837,767	-	10,837,767
<b>Net position, ending</b>					<u>\$ 19,482,064</u>	<u>\$ 13,249,117</u>	<u>\$ 32,731,181</u>

Sun 'n Lake of Sebring Improvement District, Sebring, Florida  
**Balance Sheet - Governmental Funds**  
September 30, 2019

	<u>General Fund</u>	<u>Golf Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,347,811	\$ 487,199	\$ -	\$ 1,835,010
Investments	2,483,898	-	-	2,483,898
Receivables, net	-	7,110	-	7,110
Due from other funds	136,433	-	230,242	366,675
Due from other governments	33,366	-	-	33,366
Inventories	-	107,913	-	107,913
Prepaid costs	4,440	9,931	-	14,371
<b>Total assets</b>	<u>\$ 4,005,948</u>	<u>\$ 612,153</u>	<u>230,242</u>	<u>\$ 4,848,343</u>
<b>Liabilities:</b>				
Accounts payable	\$ 383,595	\$ 53,393	297,658	\$ 734,646
Accrued expenses	65,503	118,742	-	184,245
Due to other funds	230,242	34,690	-	264,932
Unearned revenues	8,824	496,814	-	505,638
Customer deposits	2,550	44,845	-	47,395
<b>Total liabilities</b>	<u>690,714</u>	<u>748,484</u>	<u>297,658</u>	<u>1,736,856</u>
<b>Fund Balances:</b>				
Nonspendable	4,440	117,844	-	122,284
Assigned	602,250	-	-	602,250
Unassigned	2,708,544	(254,175)	(67,416)	2,386,953
<b>Total fund balances (deficit)</b>	<u>3,315,234</u>	<u>(136,331)</u>	<u>(67,416)</u>	<u>3,111,487</u>
<b>Total liabilities and fund balances</b>	<u>\$ 4,005,948</u>	<u>\$ 612,153</u>	<u>\$ 230,242</u>	<u>\$ 4,848,343</u>

Sun 'n Lake of Sebring Improvement District, Sebring, Florida  
**Reconciliation of the Governmental Funds Balance Sheet to the  
Statement of Net Position**  
September 30, 2019

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Total Fund Balance, governmental funds \$ 3,111,487

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. 17,052,782

Long term liabilities such as capital lease, compensated absences, and accrued interest payable are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.

Capital lease payable	(592,848)
Compensated absences payable	(85,792)
Accrued interest payable	(3,565)

**Net Position of Governmental Activities in the Statement of Net Position** \$ 19,482,064

Sun 'n Lake of Sebring Improvement District, Sebring, Florida  
**Statement of Revenues, Expenditures, and Changes in Fund Balance -**  
**Governmental Funds**  
For the Fiscal Year Ended September 30, 2019

	General Fund	Golf Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues:</b>				
Assessments	\$ 3,241,941	\$ -	\$ -	\$ 3,241,941
Penalty and interest on assessments	104,718	-	-	104,718
Fees and fines	11,165	-	-	11,165
Licenses and permits	7,875	-	-	7,875
Intergovernmental	218,471	-	-	218,471
Charges for services	127,099	3,534,404	-	3,661,503
Investment earnings	82,726	-	-	82,726
Miscellaneous	47,469	-	-	47,469
<b>Total revenues</b>	<b>3,841,464</b>	<b>3,534,404</b>	<b>-</b>	<b>7,375,868</b>
<b>Expenditures:</b>				
Current:				
General government:				
Financial and administrative	681,004	-	-	681,004
Community services	173,214	-	-	173,214
Facilities and grounds	304,588	-	-	304,588
<b>Total general government</b>	<b>1,158,806</b>	<b>-</b>	<b>-</b>	<b>1,158,806</b>
Code enforcement and security	311,867	-	-	311,867
Roads and drainage	1,123,603	-	-	1,123,603
Recreation and leisure	306,749	3,769,906	-	4,076,655
Debt service:				
Principal	-	137,665	-	137,665
Interest and other charges	-	14,432	-	14,432
Capital Outlay	433,199	998,929	798,449	2,230,577
<b>Total expenditures</b>	<b>3,334,224</b>	<b>4,920,932</b>	<b>798,449</b>	<b>9,053,605</b>
Excess (deficiency) of				
Revenues over expenditures	507,240	(1,386,528)	(798,449)	(1,677,737)
<b>Other Financing Sources (uses):</b>				
Capital lease proceeds	-	594,241	-	594,241
Transfers in	-	829,471	731,033	1,560,504
Transfers out	(1,560,504)	-	-	(1,560,504)
<b>Total other financing sources (uses)</b>	<b>(1,560,504)</b>	<b>1,423,712</b>	<b>731,033</b>	<b>594,241</b>
<b>Net change in fund balances</b>	<b>(1,053,264)</b>	<b>37,184</b>	<b>(67,416)</b>	<b>(1,083,496)</b>
Fund balances, beginning, restated	4,368,498	(173,515)	-	4,194,983
<b>Fund balances, ending</b>	<b>\$ 3,315,234</b>	<b>\$ (136,331)</b>	<b>\$ (67,416)</b>	<b>\$ 3,111,487</b>

Sun 'n Lake of Sebring Improvement District, Sebring, Florida  
**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of  
 Governmental Funds to the Statement of Activities**  
 For the Fiscal Year Ended September 30, 2019

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Net Change in Fund Balances - total governmental funds: \$ (1,083,496)

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 these assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	2,495,619
Less: Depreciation expense	(1,202,186)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Capital lease proceeds	(594,241)
Debt repayments	137,665

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net position.

6,207

The change in compensated absences reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in governmental funds.

18,844

Accrued interest reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds

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**Change in Net Position of Governmental Activities**

\$ (221,417)

Sun 'n Lake of Sebring Improvement District, Sebring, Florida  
**Statement of Net Position - Proprietary Funds**  
September 30, 2019

	<u>Water and Sewer Utility</u>
<b>Assets:</b>	
Current assets:	
Cash and cash equivalents	\$ 1,907,085
Investments	2,396,248
Accounts receivable, net	244,113
Prepaid expenses	4,000
Restricted assets:	
Cash and cash equivalents	593,489
<b>Total current assets</b>	<u>5,144,935</u>
Noncurrent assets:	
Capital Assets:	
Land	184,842
Construction in progress	57,933
Infrastructure	18,001,274
Buildings	52,192
Machinery and equipment	505,461
Less accumulated depreciation	<u>(10,285,631)</u>
<b>Total capital assets, net</b>	<u>8,516,071</u>
<b>Total assets</b>	<u>13,661,006</u>
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable	135,182
Due to other funds	101,743
Customer deposits payable	140,925
Compensated absences	3,404
<b>Total current liabilities</b>	<u>381,254</u>
Noncurrent liabilities:	
Compensated absences	30,635
<b>Total noncurrent liabilities</b>	<u>30,635</u>
<b>Total liabilities</b>	<u>411,889</u>
<b>Net position:</b>	
Net investment in capital assets	8,516,071
Restricted for capital projects	3,387,863
Restricted for impact fee projects	452,564
Unrestricted	892,619
<b>Total net position</b>	<u>\$ 13,249,117</u>



Sun 'n Lake of Sebring Improvement District, Sebring, Florida  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
For the Fiscal Year Ended September 30, 2019

	<u>Water and Sewer Utility</u>
<b>Revenues:</b>	
Charges for water and sewer services	\$ 2,342,905
Other	87,295
<b>Total operating revenues</b>	<u>2,430,200</u>
<b>Operating Expenses:</b>	
Salaries and benefits	611,179
Contractual services, maintenance and supplies	961,606
Depreciation	612,794
<b>Total operating expenses</b>	<u>2,185,579</u>
<b>Operating income</b>	<u>244,621</u>
<b>Nonoperating Revenues (Expenses):</b>	
Interest and investment income	78,314
Impact fees	40,000
<b>Total nonoperating revenues (expenses)</b>	<u>118,314</u>
<b>Change in net position</b>	362,935
Net position, beginning	<u>12,886,182</u>
<b>Net position, ending</b>	<u>\$ 13,249,117</u>

Sun 'n Lake of Sebring Improvement District, Sebring, Florida  
**Statement of Cash Flows - Proprietary Funds**  
For the Fiscal Year Ended September 30, 2019

	<b>Water and Sewer Utility</b>
<b>Cash Flows from Operating Activities:</b>	
Receipts from customers and users	\$ 2,422,329
Payments to employees	(621,679)
Payments to suppliers of goods and services	(888,402)
<b>Net cash provided by (used in) operating activities</b>	<b>912,248</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>	
Decrease in due to other funds	(9,173)
<b>Net cash provided by (used in) non-capital financing activities</b>	<b>(9,173)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Impact fees	40,000
Purchases of capital assets	(562,128)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(522,128)</b>
<b>Cash Flows from Investing Activities:</b>	
Interest earnings	78,314
Purchase of investments	(54,250)
<b>Net cash provided by (used in) investing activities</b>	<b>24,064</b>
<b>Net increase in cash and cash equivalents</b>	<b>405,011</b>
Cash and cash equivalents, beginning	2,095,563
<b>Cash and cash equivalents, ending</b>	<b>\$ 2,500,574</b>
<b>Classified As:</b>	
Cash and cash equivalents	\$ 1,907,085
Restricted cash and cash equivalents	593,489
<b>Total</b>	<b>\$ 2,500,574</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities:</b>	
Operating income	\$ 244,621
<b>Adjustments Not Affecting Cash:</b>	
Depreciation and amortization	612,794
<b>Change in Assets and Liabilities:</b>	
Increase in accounts receivable	(16,501)
Decrease in prepaids / inventory	4,000
Increase in accounts payable	69,204
Increase in customer deposits	8,630
Decrease in compensated absences	(10,500)
<b>Total adjustments</b>	<b>667,627</b>
<b>Net Cash Provided by (used in) Operating Activities</b>	<b>\$ 912,248</b>

**Notes to Financial Statements**

**NOTE 1            NATURE OF ORGANIZATION AND REPORTING ENTITY**

**Reporting Entity**

Sun 'n Lake of Sebring Improvement District (the "District") was established by the Board of County Commissioners of Highlands County, Florida on April 16, 1974. The District is located between the City of Sebring, Florida and the City of Avon Park, Florida on US Highway 27. It encompasses approximately 5,700 acres. Highlands County Ordinance No. 74-4 created the District, fixed the boundaries, provided for a governing body, and provided for the powers, functions, and duties of the District and its governing body. This ordinance, as amended by Ordinance No. 77-4, is referred to as the District Charter. The District Charter further provides for the acquisition or construction of improvements which can be financed by the levying of assessments on the benefited properties.

The District is defined as an independent special district under the Uniform Special District Accountability Act of 1989, otherwise known as Chapter 189 of the Florida Statutes. Chapter 189 mandates certain requirements for the formation, dissolution and reporting of special districts.

The District's major activities include operation and maintenance of the golf clubhouse, golf course and driving range, tennis courts, a water and sewer utility system, a network of arterial and neighborhood roads, community center with pool, fitness center, and a general purpose District office.

The District is governed by the Board of Supervisors ("Board"), which is composed of five members. The Supervisors are elected by the landowners and qualified electors residing within the District. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Florida Statutes.

The Board has the final responsibility for:

1.        Assessing and levying assessments.
2.        Approving budgets.
3.        Exercising control over facilities and properties.
4.        Controlling the use of funds generated by the District.
5.        Approving the employment of the general manager.
6.        Financing improvements.

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statements 14, 39 and 61. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District Board of Supervisors is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

**NOTE 2            SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Government-Wide and Fund Financial Statements**

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

**NOTE 2                    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by assessments and general revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. The major governmental and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

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

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

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.

**NOTE 2            SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Golf Fund*

This special revenue fund is used to account for the operations of the golf course and related amenities. The costs of providing services to the residents are recovered primarily through user charges.

*Capital Projects Fund*

The capital projects fund is used to account for the acquisition and construction of major capital facilities

The District reports the following major proprietary fund:

*Water and Sewer Fund*

This enterprise fund is used to account for the operations of the water and sewer utility services within the District. The costs of providing services to the residents are recovered primarily through user charges.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are internal receivable and payable balances between governmental and business-type activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. Operating expenses of the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

*Restricted Assets*

Restricted assets in the enterprise funds consist of water and sewer impact fees and other net position for renewal, replacement and improvements which have been restricted by enabling legislation. Restricted assets in the governmental funds consist of funds set aside to comply with note 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.

Investments for the District are reported at fair value within the fair value hierarchy established in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, except for the position in the Florida State Board of Administration's and Florida Safe's Local Government Surplus Investment Pools (LGIP). In accordance with state law, the LGIP's operate in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the LGIP's qualify as a 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The Florida State Board of Administration is subject to regulatory oversight by the State of Florida, although it is not registered with the SEC.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Inventories and Prepaid Items*

Inventories for the golf fund are valued at cost which approximates market value using the first-in, first-out (FIFO) method. 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.

*Receivables and Payables*

During the course of operations, transactions occur between individual funds. Any residual balances outstanding between governmental activities and business-type activities for internal borrowing are reported in the government-wide statements as "internal balances".

Accounts receivable and assessments receivable are shown net of an allowance for uncollectible amounts. These receivables will be recognized as revenue as they are collected. For the golf fund, accounts receivable outstanding in excess of 90 days, that are material, comprise the allowance. For water and sewer accounts receivable, amounts outstanding in excess of 90 days comprise the allowance. The assessment receivable allowance in the general and debt service funds is equal to 100% of outstanding delinquencies except for amounts outstanding in excess of five years which are written off.

*Capital Assets*

Capital assets, which include property, golf course, and recreation facilities, water and sewer improvements, machinery and equipment and infrastructure (roads, sidewalks, etc.), are reported in the applicable governmental or business-type activities. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 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 are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	5-20
Buildings	10-40
Infrastructure	10-20
Roads and sidewalks	10-40
Golf course and improvements	20
Utility plant and infrastructure	5-40
Machinery and equipment	5-10

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

**NOTE 2                    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Compensated Absences*

The District's policy permits employees to accumulate earned but unused vacation and sick pay benefits. Time accrues based on the level and length of service. Upon termination, unused sick time is paid out at up to 35%, based on length of service, and unused vacation time is paid at 100%. Accumulated paid personal time off is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is reported in governmental funds only if they have matured, as a result of employee resignation or retirement.

*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. Note premiums and discounts are deferred and amortized ratably over the life of the Notes. Notes payable are reported net of premiums or discounts.

In the fund financial statements, governmental fund types recognize premiums and discounts, 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.

*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. The District does not have any items that qualify for reporting in this category for the year ended September 30, 2019.

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. The District does not have any item that qualifies for reporting in this category for the year ended September 30, 2019.

*Assessments*

Assessments are non-ad valorem assessments on all platted lots within the district. Assessments are levied each November 1 on property as of the previous January 1 to pay for the operations and maintenance of the district and debt service on the notes. The fiscal year for which annual assessments are levied begins on October 1 with discounts available for payments through February 28 and become delinquent on April 1. Penalties are assessed to delinquent lot owners at a rate of 1% per month on the outstanding delinquent balance.

*Net Position Flow Assumption*

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted- net position and unrestricted- net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.



**NOTE 2                    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Fund Balance Flow Assumptions*

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

*Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes fund balance amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Supervisors is the highest level of decision-making authority for the government that can, by adoption of an ordinance or resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance or resolution remains in place until a similar action is taken to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Board of Supervisors has authorized the District Manager to assign amounts for specific purposes. The Board of Supervisors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above an additional action is essential to either remove or revise a commitment.

*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.

*New Accounting Standards*

In fiscal year 2019, the District implemented Government Accounting Standards Board (GASB) Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. This statement requires additional note disclosures for certain debt issues. There was no effect on beginning balances of the District.

**NOTE 3 PRIOR PERIOD RESTATEMENT**

In prior years, the District included activity and matured note payable balances related to the 2008 Special Assessment Note in a debt service fund and in governmental activities. The amounts were included under the requirements of GASB Codification Sec. S40 *Special Assessments* which states that if a governmental entity is obligated "in some manner" other than for collecting and remitting special assessments, the liability should be included as a liability of the primary government and be reported in the financial statements. The Note and related activity was originally reported, upon issuance, in a debt service fund of the District due to the nature of the Note and an anticipated future bond issuance to refinance the Note. Due to prevailing economic conditions, the anticipated bonds were unable to be issued, and the matured note payable was reported as a liability of the District through fiscal year 2018.

In 2019, the District obtained a legal opinion that the District was not contractually obligated to refund the Note through a bond issuance and that the District had no further obligation under the Note other than to collect and remit assessments to the Note holder. As a result of the correction of this error, the District restated beginning fund balances and the net position of governmental activity as follows:

	Governmental Fund Balance	Governmental Activities Net Position
Beginning Balance, previously stated	\$ (6,642,784)	\$ 8,865,714
Restatement	10,837,767	10,837,767
Beginning Balance, restated	<u>\$ 4,194,983</u>	<u>\$ 19,703,481</u>

**NOTE 4 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:

1. Each year, the General Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
2. Public hearings are conducted to obtain public comments.
3. Prior to October 1, the budget is legally adopted by the District Board.
4. The General Manager may approve amendments under \$25,000 that do not increase reserve funding. All other budget changes must be approved by the District Board.
5. The budgets are adopted on a basis consistent with accounting principles.
6. Unused appropriation for annually budgeted funds lapse at the end of the year.

The District also prepares annual operating budgets for the golf and utility funds.

**NOTE 5 CASH AND INVESTMENTS**

**Cash**

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.

**Investments**

The District categorizes its fair value measurements 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.

Instead of establishing a written investment policy, the District elected to limit investments to those approved by Florida Statutes. Authorized District investments include, but are not limited to:

1. The State Board of Administration Local Government Investment Pool (SBA);
2. Securities and Exchange Commission Registered Money Market Funds with the highest credit quality rating from a nationally recognized rating agency;
3. Savings accounts and certificates of deposit in state-certified qualified public depositories.
4. Direct obligations of the U.S. Treasury.

Investments made by the District at September 30, 2019 are summarized below. In accordance with GASB 31, investments are reported at amortized cost, which approximates fair value.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Maturity</u>
Investment in Florida FIT	\$ 1,335,260	AAA	1 day
Investment in Florida Prime	1,038,786	AAAm	37 days
Certificate of Deposit	516,893	Not rated	5/13/2020
Certificate of Deposit	102,399	Not rated	1/17/2020
Certificate of Deposit	1,109,714	Not rated	2/14/2020
Certificate of Deposit	777,094	Not rated	2/18/2020
<b>Total Investments</b>	<b>\$ 4,880,146</b>		

**Credit Risk**

The District's investment policy limits credit risk by restricting authorized investments to those described. Investments in U.S. Government securities and agencies must be backed by the full faith and credit of the United States Government. Short term bond funds shall be rated by a nationally recognized ratings agency and shall maintain the highest credit quality rating.

**NOTE 5 CASH AND INVESTMENTS (CONTINUED)**

*Custodial Credit Risk*

In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2019, all of the District's bank deposits were in qualified public depositories.

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2019, none of the investments listed are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

*Concentration of Credit Risk*

The District's investment policy does not specify limits on the amount the District may invest in any one issue.

*Interest Rate Risk*

The District's investment policy does not specifically address interest rate risk; however, the general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments. The District manages its exposure to declines in fair values by investing primarily in pooled investments that have a weighted average maturity of less than three months.

**NOTE 6 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund receivables and payables at September 30, 2019 were as follows:

	Receivable fund:		
	General Fund	Capital Projects Fund	Total
Payable fund:			
General fund	\$ -	\$ 230,242	\$ 230,242
Golf fund	34,690	-	34,690
Water and Sewer Utility	101,743	-	101,743
<b>Total</b>	<b>\$ 136,433</b>	<b>\$ 230,242</b>	<b>\$ 366,675</b>

The outstanding balances between funds result primarily from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made. Balances between funds are for services paid by the General Fund to be reimbursed.

**NOTE 6 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)**

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

	Transfer in:			
	General Fund	Capital Projects Fund	Golf Fund	Total
Transfer out:				
General fund	\$ -	\$ 731,033	\$ 829,471	\$ 1,560,504
<b>Total</b>	<b>\$ -</b>	<b>\$ 731,033</b>	<b>\$ 829,471</b>	<b>\$ 1,560,504</b>

Transfers were used to move revenues from the fund where collection occurs to the fund where funds have been reallocated for use. The general fund pays for certain costs for the golf fund, by either directly paying vendors or transferring cash to the golf fund to pay vendors. The general fund also pays costs on behalf of the utility fund and is subsequently reimbursed by the utility fund.

**NOTE 7 RECEIVABLES**

The District has recorded the assessment receivables for past due amounts. During the fiscal year ended September 30, 2019, a portion of prior year assessments were collected. Unpaid assessments receivable total \$11,078,745, including penalties and interest. The District is in the process of foreclosing on certain properties which have not paid the amounts owed. Due to the uncertainty related to the cost of foreclosure and the ultimate realization from the sale of foreclosed properties, the receivables have been shown with a 100% allowance, except for collectible amounts.

During the fiscal year ended September 30, 2019, there was an increase in the amount of delinquent assessments and corresponding allowance. The District is continuing with foreclosure proceedings on certain delinquent accounts.

Receivables in the golf fund are considered fully collectible, therefore no allowance for uncollectibles is recorded.

Receivables in the water and sewer fund are reported net of uncollectible amounts. Total accounts receivable and uncollectible amounts at September 30, 2019 are as follows:

Accounts Receivable for Utility Sales	\$ 246,942
Other Receivables	4,671
Allowance for uncollectibles	(7,500)
<b>Net receivables</b>	<b>\$ 244,113</b>

**NOTE 8 CAPITAL ASSETS**

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

	Beginning Balance	Increases	Reductions	Transfers	Ending Balance
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 520,477	\$ -	\$ -	\$ -	\$ 520,477
Construction in progress	133,478	931,554	-	(81,069)	983,963
<b>Total capital assets not being depreciated</b>	<b>653,955</b>	<b>931,554</b>	<b>-</b>	<b>(81,069)</b>	<b>1,504,440</b>
<b>Capital assets being depreciated:</b>					
Buildings	9,849,994	-	(44,897)	-	9,805,097
Infrastructure	1,018,381	311,137	-	81,069	1,410,587
Roads and sidewalks	4,498,340	293,545	-	-	4,791,885
Golf course and improvements	7,206,257	209,081	(6,228)	-	7,409,110
Machinery and equipment	3,777,947	821,052	(768,628)	-	3,830,371
<b>Total capital assets being depreciated</b>	<b>26,350,919</b>	<b>1,634,815</b>	<b>(819,753)</b>	<b>81,069</b>	<b>27,247,050</b>
Less accumulated depreciation for:					
Buildings	(2,495,120)	(343,454)	44,897	-	(2,793,677)
Infrastructure	(378,417)	(55,873)	-	-	(434,290)
Roads and sidewalks	(1,511,797)	(144,575)	-	-	(1,656,372)
Golf course and improvements	(4,346,389)	(208,709)	6,228	-	(4,548,870)
Machinery and equipment	(2,520,009)	(449,575)	704,085	-	(2,265,499)
<b>Total accumulated depreciation</b>	<b>(11,251,732)</b>	<b>(1,202,186)</b>	<b>755,210</b>	<b>-</b>	<b>(11,698,708)</b>
<b>Total capital assets, being depreciated, net</b>	<b>15,099,187</b>	<b>432,629</b>	<b>(64,543)</b>	<b>81,069</b>	<b>15,548,342</b>
<b>Government activities capital assets, net</b>	<b>\$ 15,753,142</b>	<b>\$ 1,364,183</b>	<b>\$ (64,543)</b>	<b>\$ -</b>	<b>\$ 17,052,782</b>

**Depreciation Allocation:**

General Government	\$ 79,635
Public Safety	17,162
Transportation	328,919
Culture and Recreation	776,470
	<u>\$ 1,202,186</u>

**NOTE 8 CAPITAL ASSETS (CONTINUED)**

	Beginning Balance	Increases	Reductions	Transfers	Ending Balance
<b>Business-type Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 184,842	\$ -	\$ -	\$ -	\$ 184,842
Construction in progress	53,516	353,334	-	(348,917)	57,933
<b>Total capital assets not being depreciated</b>	<u>238,358</u>	<u>353,334</u>	<u>-</u>	<u>(348,917)</u>	<u>242,775</u>
<b>Capital assets, being depreciated:</b>					
Buildings	52,192	-	-	-	52,192
Utility plant and infrastructure	17,643,599	190,398	(181,640)	348,917	18,001,274
Machinery and equipment	503,377	18,396	(16,312)	-	505,461
<b>Total capital assets being depreciated</b>	<u>18,199,168</u>	<u>208,794</u>	<u>(197,952)</u>	<u>348,917</u>	<u>18,558,927</u>
Less accumulated depreciation for:					
Buildings	(40,994)	(861)	-	-	(41,855)
Utility plant and infrastructure	(9,468,946)	(576,145)	181,640	-	(9,863,451)
Machinery and equipment	(360,849)	(35,788)	16,312	-	(380,325)
<b>Total accumulated depreciation</b>	<u>(9,870,789)</u>	<u>(612,794)</u>	<u>197,952</u>	<u>-</u>	<u>(10,285,631)</u>
<b>Total capital assets being depreciated, net</b>	<u>8,328,379</u>	<u>(404,000)</u>	<u>-</u>	<u>348,917</u>	<u>8,273,296</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 8,566,737</u>	<u>\$ (50,666)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,516,071</u>
<b>Depreciation Allocation:</b>					
Utility			<u>\$ 612,794</u>		
<b>Total depreciation expense</b>			<u>\$ 612,794</u>		

**NOTE 9 PROPERTIES HELD FOR SALE**

Acting in a fiduciary capacity, as required by the special assessment Bond and Note, through various means, the District has become the owner of record of many undeveloped plots of land within the District. The District is required by the debt agreements to attempt to market and sell these properties with any sale proceeds used to satisfy the related debt encumbered upon the properties. These properties are encumbered by debt liens that exceed the fair market value of the underlying property and are therefore not recorded as an asset on the District's financial statements. The District is also not liable for the encumbered debt due to its actions as fiduciary, as specified in the Bond and Note agreements. As a result of the liens exceeding the value of the properties, the District has been unsuccessful in its attempts to sell these properties.

**NOTE 9                    PROPERTIES HELD FOR SALE (CONTINUED)**

Because the District is the owner of record of these properties, it is billed ad valorem and other taxes by the County. The District does not intend to pay these taxes. The District has determined, with the assistance of legal counsel, that it will never be held financially liable for the past due taxes and that the only consequence of nonpayment of the taxes would be the loss of the underlying properties.

Due to the totality of these circumstances, the District has recorded no asset or liability relating to these actions on the financial statements.

**NOTE 10                    LEASE OBLIGATIONS**

The District has entered into lease agreements as a lessee for financing the acquisition of certain equipment. These lease agreements qualify as capital leases for accounting purposes and, accordingly, have been recorded at the present value of future minimum lease payments as of the inception date. The aggregate cost and accumulated depreciation of assets acquired through capital leases are as follows:

	<b>Governmental</b>
	<b>Activities</b>
Machinery and equipment	\$ 1,076,202
Less accumulated depreciation	(224,135)
Net	<u>\$ 852,067</u>

The future minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2019, were as follows:

<b>Year ending September 30:</b>	<b>Governmental</b>
	<b>Activities</b>
2020	\$ 232,897
2021	161,236
2022	161,236
2023	80,617
Total minimum lease payments	635,986
Less: amount representing interest	(43,138)
Present value of minimum lease payments	<u>\$ 592,848</u>



**NOTE 11 LONG TERM LIABILITIES**

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

	Beginning Balance	Additions/ Transfers	Reductions/ Transfers	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Capital leases	\$ 136,272	\$ 594,241	\$ (137,665)	\$ 592,848	\$ 211,073
Compensated absences	104,636	113,227	(132,071)	85,792	8,579
<b>Total</b>	<b>\$ 240,908</b>	<b>\$ 707,468</b>	<b>\$ (269,736)</b>	<b>\$ 678,640</b>	<b>\$ 219,652</b>
<b>Business-Type Activities</b>					
Compensated absences	\$ 44,539	\$ 28,572	\$ (39,072)	\$ 34,039	\$ 3,404
<b>Total</b>	<b>\$ 44,539</b>	<b>\$ 28,572</b>	<b>\$ (39,072)</b>	<b>\$ 34,039</b>	<b>\$ 3,404</b>

**NOTE 12 SPECIAL ASSESSMENT DEBT**

**Series 2008 Special Assessment Note**

On August 2006, the District issued Special Assessment Bond Anticipation Note Series 2006 in the amount of \$8,798,065. The purpose of the 2006 Note was to provide interim funding for the costs associated with the construction of central water and sewer services for Areas "A" and "C" of Unit 16 of the District. On or about March 2008, the District issued Special Assessment Note Series 2008 in the amount of \$10,000,000. The purpose of the 2008 Note was to redeem the 2006 Note, to fund a debt service reserve fund, and to pay the cost of issuing the Note. The District did in fact redeem the 2006 Note. The construction of the central water and service areas for Areas "A" and "C" of Unit 16 was in fact completed. The Note is secured by first lien on all revenues received from special assessments levied and collected on parcels benefited from the Unit 16 A & C project, all monies on deposit in the funds and accounts established, and on any proceeds from Bonds Issued. The interest rate will be equal to 68% of the 180 day LIBOR rate plus 325 basis points. Principal and interest on the Note will be payable on each May 1 and November 1 commencing November 1, 2008. In May 2009, the due date of the Series 2008 Note was extended from March 29, 2009 to March 28, 2010.

The District collections from property owners were insufficient to pay the principal and interest due during the current and prior year. Because the District itself is not liable for nonpayment of the Note, it is not in default.

In accordance with GASB Cod. Sec. S40, *Special Assessments*, the outstanding liability for this Note and the related balances are not included in the District's financial statements because the District's only obligation under the Note agreement is to collect and remit assessments to the Note holder.

**NOTE 12 SPECIAL ASSESSMENT DEBT (CONTINUED)**

**Phase V Bond**

*Background*

The Phase V Bond was initially issued in 1992. As many of the properties subject to the bond were marketed to foreigners by the prior developer of the District, the District experienced a high number of properties that did not honor the bond obligation. This was largely due to promised developer improvements that were never made, coupled with a down turn in economies of their respective countries. Rather than declare the Phase V Bond in default, the Phase V Bond holder - Van Kampen Merritt - elected to enter into an agreement with the District to work out the bond payments. The bondholder also owned a number of properties subject to the Phase V Bond, which it received from the bankrupt developer. The carrying cost for the property was relatively high (all properties owned by the bondholder were subject to District operating and maintenance assessments) which only made a bad situation worse. To remove the obligation of carrying costs for the District assessments, as well as employing some mechanism to work out the prior indebtedness to the District for the previously levied operation and maintenance assessments (\$700,000), Sun 'n Lake, Inc. (the company that was wholly owned by the bondholder and owned properties within the District) was joined to the agreement between the bondholder and the District.

The District accepted delivery of a deed in lieu of foreclosure for all the company's lots, and as lots were now under District ownership, no assessments were levied against the property, because the District does not assess property it owns. The bondholder further agreed to make a payment of \$100,000 upon execution of the agreement toward the back assessment arrearages, and an additional \$100,000 per year (with back assessments on a given lot credited against such amount when property was sold) until the remaining \$600,000 was paid. All company owned lots were placed into a District "lot pool" with an option to repurchase the lots for \$1.00 each upon sale by Sun 'n Lake, Inc. The District received each annual payment and the \$700,000 delinquency was fully satisfied. Pursuant to the agreement, the bondholder agreed to take no action against the District, and the bondholder agreed that the net proceeds from the lot sales and future collection of assessments would be accepted as full payment for the amount due under the Phase V Bond. The lien of the Phase V Bond, however, remained in full force and effect.

The bondholder ultimately elected to transfer the Phase V Bond and all remaining properties on which it had the option to purchase through the lot pool, and successfully found a purchaser for both the properties and the bond in National Recreational Properties, Inc. ("NRPI"). During 2004, the properties and the bond were sold but NRPI realized that in order to successfully market the property, it would require that the delinquent payments and accrued penalties and interest be restructured, as the accumulated delinquent principal, interest and penalties were simply too great for the property to be affordable on an easy low down payment basis. The Phase V Bond restructuring was approved by the Circuit Court in and for Highlands County, Florida, Case Number GC04-448, by Order dated September 2, 2004.

*Land Sale and Purchase Agreement*

In addition to the Sun 'n Lake, Inc. "lot-pool" lots, NRPI was further interested in acquiring the property inventory of the District which had been accumulated over the years due to foreclosure of delinquent operations and maintenance assessments. A land sale agreement and purchase agreement was negotiated during the fiscal year ended September 30, 2005, and the District lot inventory of foreclosed property was transferred to NRPI in several transactions for several million dollars. These funds were realized in the form of cash payments to the District, and liquidation of other debts owed by the District, inclusive of delinquent ad valorem taxes on the foreclosed properties, debt the District owed on its golf courses, and similar operation debts. The District continues to actively monitor properties which have delinquent assessments owed either for the Phase V project or operations and maintenance assessments of the District.

**NOTE 12 SPECIAL ASSESSMENT DEBT (CONTINUED)**

The land sale and purchase agreement, as well as the Phase V Bond agreement, were amended. In the last agreement by the District with NRPI, NRPI agreed that it would not only pay assessments on all property owned within the District on an ongoing basis (in exchange for a reduction in the amount it agreed to pay for the new golf course clubhouse), but further agreed that it had the obligation to purchase all properties foreclosed upon the District as part of its inventory available for resale. NRPI is delinquent in payment of its annual assessments and is believed to be an inactive corporation.

In accordance with GASB Cod. Sec. S40, *Special Assessments*, the outstanding liability for these bonds and the related balances are not included in the District's financial statements because the District's only obligation under the Bond agreement is to collect and remit assessments to the Bondholder.

**NOTE 13 COMMITMENTS**

The District entered into a management agreement on October 1, 2014, with Billy Casper Golf, LLC to supervise, direct and control the management, development, marketing and operation of the Sun 'n Lake Golf and Country Club. The agreement has no ending date and provides that either party may terminate the agreement with 180 days' notice. The monthly management fee is \$10,000 per month. During fiscal year 2019, the District paid \$120,000 to Billy Casper Golf, LLC as management fees under this agreement.

**NOTE 14 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 environmental remediation. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may extend to all situations. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

**NOTE 15 DEFINED CONTRIBUTION PLANS**

The District has a 401(a) Money Purchase Plan which is a defined contribution plan established to provide benefits at retirement for all full-time employees. At September 30, 2019, there were 23 participants. The District is required to contribute 100% match on behalf of each participant up to 5% of participant salaries contributed by the employee for the plan year. Employees are 50% vested after one year of service and fully vested after two years of service. The District contributes an amount equal to 10% of the District Manager's salary, in accordance with her employment contract. District contributions for the General Manager vest ratably over a four year period from the date of the first contribution by the District. Plan provisions and contribution requirements are established and may be amended by the District Board.

**NOTE 15            DEFINED CONTRIBUTION PLANS (CONTINUED)**

District matching contributions to the plan were \$50,495 for the fiscal year ended September 30, 2019.

The District also has a 457 deferred compensation plan established to provide benefits at retirement to all employees. All non-seasonal employees are eligible, and there is no District matching requirement. At September 30, 2019 there were six participants. Plan provisions and contribution requirements are established and may be amended by the District Board.

The plan assets are administered by ICMA Retirement Corp. Participants have access to the information regarding their account balances through ICMA. The District does not exercise any control over the plan assets.

The District has no post-employment benefits for healthcare or insurance.

**NOTE 16            SUBSEQUENT EVENT**

Subsequent to year end, as a result of insufficient collection of assessments, only a portion of the interest payment and none of the principal payment due on November 1, 2019 on the Phase V Bonds was made.

In response to the COVID - 19 pandemic, the District closed recreational facilities, reduced restaurant operations to takeout only, and placed limits on the use of the golf course. These events are ongoing as of the date of these statements and carry a high level of uncertainty. The outcome and ultimate effect on the District cannot be determined at this time.

**Required Supplementary Information**

Sun 'n Lake of Sebring Improvement District, Sebring, Florida  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - General Fund**  
For the Fiscal Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Assessments	\$ 3,375,000	\$ 3,375,000	\$ 3,241,941	\$ (133,059)
Penalty and interest on assessments	85,000	85,000	104,718	19,718
Fees and fines	15,000	15,000	11,165	(3,835)
Licenses and permits	2,500	2,500	7,875	5,375
Intergovernmental	-	-	218,471	218,471
Charges for services	121,000	121,000	127,099	6,099
Investment earnings	40,000	40,000	82,726	42,726
Miscellaneous	45,000	57,787	47,469	(10,318)
<b>Total revenues</b>	<b>3,683,500</b>	<b>3,696,287</b>	<b>3,841,464</b>	<b>145,177</b>
<b>Expenditures:</b>				
Current:				
Financial and administrative	866,405	903,405	681,004	222,401
Community services	187,295	187,295	173,214	14,081
Facilities and grounds	304,975	304,975	304,588	387
Code enforcement and security	313,590	313,590	311,867	1,723
Roads and drainage	1,110,350	1,131,365	1,123,603	7,762
Recreation and leisure	297,385	297,385	306,749	(9,364)
Capital outlay	703,500	716,287	433,199	283,088
<b>Total expenditures</b>	<b>3,783,500</b>	<b>3,854,302</b>	<b>3,334,224</b>	<b>520,078</b>
<b>Excess of revenues over expenditures</b>	<b>(100,000)</b>	<b>(158,015)</b>	<b>507,240</b>	<b>665,255</b>
<b>Other Financing Sources (Uses):</b>				
Transfers out	(2,324,300)	(2,324,300)	(1,560,504)	763,796
<b>Total other financing sources (uses)</b>	<b>(2,324,300)</b>	<b>(2,324,300)</b>	<b>(1,560,504)</b>	<b>763,796</b>
<b>Net change in fund balance*</b>	<b>(2,424,300)</b>	<b>(2,482,315)</b>	<b>(1,053,264)</b>	<b>1,429,051</b>
Fund balance, beginning	4,368,498	4,368,498	4,368,498	-
<b>Fund balance, ending</b>	<b>\$ 1,944,198</b>	<b>\$ 1,886,183</b>	<b>\$ 3,315,234</b>	<b>\$ 1,429,051</b>

\* The net change in fund balance was included in the budget as an appropriation of fund balance.

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 receipt and cash expenditures which are approved by the Board. The budget approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

The differences between the 2019 original budget and the final amended budget are adopted by the Board throughout the year. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate.

The positive variance between budgeted and actual general fund revenues for the 2019 fiscal year was \$145,177, as the District collected FEMA reimbursements related to Hurricane Irma. The actual general fund expenditures for the 2019 fiscal year were \$520,078 lower than budgeted amounts due primarily to lower capital outlay than anticipated.

The District adopts a non-appropriated operating budget for the Golf Special Revenue and the Capital Projects Funds that are used for internal planning, control, and review purposes only. Generally accepted accounting principles only require the presentation of appropriated budgets adopted to meet legal requirements as required supplementary information. Because the District is not legally required to adopt an appropriated budget for these funds, this information is not presented.

**Compliance Section**





**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  
*Sun 'n Lake of Sebring Improvement District*

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, and each major fund, of the *Sun 'n Lake of Sebring Improvement District, Sebring, Florida*, as of and for the fiscal year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 30, 2020.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests on 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 result 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.

*McDiarmid Davis*

April 30, 2020  
Orlando, Florida



934 North Magnolia Avenue, Suite 100  
Orlando, Florida 32803  
Tel. 407-843-5406  
www.mcdermittdavis.com

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES**

To the Board of Supervisors  
*Sun 'n Lake of Sebring Improvement District*

We have examined Sun 'n Lake of Sebring Improvement District's (the "District") compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2019. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, Sun 'n Lake of Sebring Improvement District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2019.

*McDermitt Davis*

Orlando, Florida  
April 30, 2020



## MANAGEMENT LETTER

To the Board of Supervisors  
*Sun 'n Lake of Sebring Improvement District, Florida*

### **Report on the Financial Statements**

We have audited the financial statements of the Sun 'n Lake of Sebring Improvement District, Florida, as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated April 30, 2020.

### **Auditor's Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Auditor General.

### **Other Reporting Requirements**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant'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 April 30, 2020, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

Section 10.554(1)(i)1., Rules of the Auditor General, require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial report.

### **Official Title and Legal Authority**

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

### **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 the Sun 'n Lake of Sebring Improvement District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Sun 'n Lake of Sebring Improvement District, did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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 the District. It is management's responsibility to monitor the Sun 'n Lake of Sebring Improvement District's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same. In connection with our audit, we determined that the Sun 'n Lake of Sebring Improvement District, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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 which 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 members of 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.

*McDiarmid Davis*

Orlando, Florida  
April 30, 2020



To The Board of Supervisors  
*Sun 'n Lake of Sebring Improvement District*

We have audited the financial statements of *Sun 'n Lake of Sebring Improvement District, Sebring, Florida* as of and for the year ended September 30, 2019, and have issued our report thereon dated April 30, 2020. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated September 17, 2019, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Sun 'n Lake of Sebring Improvement District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

**Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

**Compliance with All Ethics Requirements Regarding Independence**

The engagement team, and others in our firm, as appropriate, and our network firms have complied with all relevant ethical requirements regarding independence.

**Qualitative Aspects of the Entity's Significant Accounting Practices**

*Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Sun 'n Lake of Sebring Improvement District is included in Note 2 to the financial statements. In fiscal year 2019, the District implemented Government Accounting Standards Board (GASB) Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. This statement requires additional note disclosures for certain debt issues. There was no effect on beginning balances of the City. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

*Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive estimates affecting the District's financial statement were:

Management's estimate for the allowance for doubtful accounts is based on historical loss levels, and an analysis of the individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate for the allowance for depreciation is based on the estimated useful lives of the capital assets. We evaluated the reasonableness of the useful lives as well as the depreciation methods in determining that it is reasonable in relation to the financial statements taken as a whole.

#### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Sun 'n Lake of Sebring Improvement District's financial statements relate to delinquent debt as described in Note 12.

#### **Significant Difficulties Encountered During the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### **Corrected and Uncorrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the Sun 'n Lake of Sebring Improvement District's financial statements or the auditor's report. No such disagreements arose during the course of our audit.

#### **Representations Requested from Management**

We have requested certain representations from management, which are included in the attached letter dated April 30, 2020.

#### **Management Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

#### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with Sun 'n Lake of Sebring Improvement District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Sun 'n Lake of Sebring Improvement District's auditors.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This report is intended solely for the information and use of the Board of Supervisors, and the Auditor General of the State of Florida, and management of Sun 'n Lake of Sebring Improvement District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*McDiernit Davis*

Orlando, Florida  
April 30, 2020



# EXHIBIT F- Past Three (3) Years Restaurant Vs. Golf Financial Statements

## Sun 'n Lake of Sebring Improvement District

Golf Fund Income Statement

For the Month Ending September 30th, 2019

	AMENDED BUDGET	CURRENT MONTH	YTD	YTD VARIANCE	PRIOR YTD	YTD vs Prior YTD
<b>Golf Revenues:</b>						
Golf Memberships	\$1,008,000	\$68,687	\$978,847	(\$29,153)	\$960,786	\$18,062
Course & Driving Range Fees	\$1,080,000	\$29,723	\$1,096,908	\$16,908	\$1,058,571	\$38,338
Pro Shop Sales	311,000	10,968	332,737	21,737	309,286	23,451
Miscellaneous	-	55	3,253	3,253	10,075	(6,822)
Total Gross Revenues	2,399,000	109,433	2,411,745	12,745	2,338,717	73,028
Cost of Sales	215,000	7,468	228,992	13,992	213,938	(15,054)
<b>Gross Margin</b>	<b>2,184,000</b>	<b>101,965</b>	<b>2,182,753</b>	<b>(1,247)</b>	<b>2,124,779</b>	<b>57,974</b>
<b>Operating Expenses:</b>						
Payroll and Benefits	1,142,000	147,875	1,169,845	(27,845)	1,075,580	(94,265)
Golf Operations	52,200	6,366	45,996	6,204	60,374	14,378
General and Administrative	242,010	19,953	229,027	12,983	228,122	(905)
Golf Course Maintenance	604,250	26,348	517,815	86,435	574,557	56,743
Sales and Marketing	74,580	9,264	57,510	17,070	65,301	7,791
Operating Leases and Other	42,300	4,167	27,865	14,435	47,446	19,581
Total Operating Expenses	2,157,340	213,973	2,048,058	109,282	2,051,380	3,323
<b>Net Operating Income (Loss)</b>	<b>26,660</b>	<b>(112,008)</b>	<b>134,696</b>	<b>108,036</b>	<b>73,399</b>	<b>61,297</b>
<b>F&amp;B Revenues:</b>						
Food and Beverage	1,116,000	15,225	1,122,659	6,659	1,256,081	(133,422)
Cost of Sales	390,000	10,559	391,125	1,125	434,626	43,501
<b>Gross Margin</b>	<b>726,000</b>	<b>4,666</b>	<b>731,534</b>	<b>5,534</b>	<b>821,455</b>	<b>(89,921)</b>
<b>Operating Expenses:</b>						
Payroll and Benefits	718,000	54,299	760,570	(42,570)	717,380	(43,190)
General and Administrative	161,340	13,302	152,685	8,655	152,081	(603)
Food and Beverage	125,400	9,276	131,564	(6,164)	148,585	17,021
Sales and Marketing	49,720	6,176	38,340	11,380	43,534	5,194
Operating Leases and Other	28,200	2,778	18,577	9,623	31,631	13,054
Total Operating Expenses	1,082,660	85,830	1,101,736	(19,076)	1,093,211	(8,525)
<b>Net Operating Income (Loss)</b>	<b>(356,660)</b>	<b>(81,164)</b>	<b>(370,202)</b>	<b>(13,542)</b>	<b>(271,756)</b>	<b>(98,446)</b>
District Recreation Assessment	330,000	75,000	225,000	(105,000)	331,200	(106,200)
Interest Income/Other Income	-	-	47,686	47,686	15,000	32,686
Total Other Income	330,000	75,000	272,686	(57,314)	346,200	(73,514)
<b>Net Income (Loss)</b>	<b>-</b>	<b>(118,172)</b>	<b>37,180</b>	<b>37,180</b>	<b>147,843</b>	<b>(110,663)</b>

# EXHIBIT F- Past Three (3) Years Restaurant Vs. Golf Financial Statements-Continued

## Sun 'n Lake of Sebring Improvement District

Golf Fund Income Statement

For the Month Ending September 30, 2017

	AMENDED BUDGET	CURRENT MONTH	YTD	YTD VARIANCE	PRIOR YTD	YTD vs Prior YTD
<b>Golf Revenues:</b>						
Golf Memberships	\$925,000	\$68,116	\$909,860	(\$15,140)	\$951,292	(\$41,432)
Course & Driving Range Fees	1,004,000	\$2,944	\$1,115,378	\$111,378	\$1,055,591	\$59,787
Pro Shop Sales	290,000	3,537	294,911	4,911	300,123	(5,212)
Miscellaneous	79,900	4,277	82,869	2,969	61,702	21,168
Total Gross Revenues	2,298,900	78,874	2,403,018	104,118	2,368,708	34,310
Cost of Sales	203,000	3,217	201,947	(1,053)	204,559	2,612
<b>Gross Margin</b>	<b>2,095,900</b>	<b>75,656</b>	<b>2,201,071</b>	<b>105,171</b>	<b>2,164,149</b>	<b>36,922</b>
<b>Operating Expenses:</b>						
Payroll and Benefits	1,114,657	104,649	1,101,078	13,580	1,091,059	(10,019)
Golf Operations	69,580	7,317	74,795	(5,215)	75,863	1,068
General and Administrative	211,775	29,685	225,882	(14,107)	230,062	4,180
Golf Course Maintenance	618,945	151,248	766,607	(147,662)	695,616	(70,990)
Sales and Marketing	64,590	3,494	58,545	6,045	65,785	7,241
Operating Leases and Other	61,974	5,447	58,032	3,942	68,592	10,560
Total Operating Expenses	2,141,521	301,840	2,284,939	(143,418)	2,226,978	(57,961)
<b>Net Operating Income (Loss)</b>	<b>(45,621)</b>	<b>(226,184)</b>	<b>(83,868)</b>	<b>(38,247)</b>	<b>(62,829)</b>	<b>(21,039)</b>
<b>F&amp;B Revenues:</b>						
Food and Beverage	1,260,000	58,401	1,273,005	13,005	1,286,405	(13,400)
Cost of Sales	470,250	21,609	429,107	(41,143)	457,279	28,172
<b>Gross Margin</b>	<b>789,750</b>	<b>36,792</b>	<b>843,898</b>	<b>54,148</b>	<b>829,127</b>	<b>14,772</b>
<b>Operating Expenses:</b>						
Payroll and Benefits	766,272	58,681	747,984	18,287	767,151	19,167
General and Administrative	141,183	19,790	150,588	(9,405)	153,375	2,787
Food and Beverage	130,798	12,216	157,539	(26,741)	145,442	(12,098)
Sales and Marketing	43,060	2,329	39,030	4,030	43,857	4,827
Operating Leases and Other	41,316	3,631	38,688	2,628	45,728	7,040
Total Operating Expenses	1,122,629	96,648	1,133,829	(11,201)	1,155,553	21,723
<b>Net Operating Income (Loss)</b>	<b>(332,879)</b>	<b>(59,856)</b>	<b>(289,931)</b>	<b>42,948</b>	<b>(326,426)</b>	<b>36,495</b>
District Recreation Assessment	378,500	36,894	286,894	(91,606)	151,830	135,064
Interest Income/Other Income	-	-	-	-	-	-
Total Other Income	378,500	36,894	286,894	(91,606)	151,830	135,064
<b>Net Income (Loss)</b>	<b>-</b>	<b>(249,146)</b>	<b>(86,905)</b>	<b>(86,905)</b>	<b>(237,425)</b>	<b>150,520</b>

# EXHIBIT F- Past Three (3) Years Restaurant Vs. Golf Financial Statements-Continued

## Sun 'n Lake of Sebring Improvement District

Golf Fund Income Statement

For the Month Ending September 30th, 2018

	AMENDED BUDGET	CURRENT MONTH	YTD	YTD VARIANCE	PRIOR YTD	YTD vs Prior YTD
<b>Golf Revenues:</b>						
Golf Memberships	\$875,000	\$79,610	\$960,786	\$85,786	\$909,860	\$50,926
Course & Driving Range Fees	1,070,801	\$37,052	\$1,058,571	(\$12,230)	\$1,125,520	(\$66,950)
Pro Shop Sales	300,000	13,835	309,286	9,286	294,911	14,375
Miscellaneous	10,000	(1,959)	10,075	75	82,709	(72,634)
Total Gross Revenues	2,255,801	128,537	2,338,717	82,916	2,413,000	(74,283)
Cost of Sales	210,000	9,529	213,938	3,938	201,947	(11,991)
<b>Gross Margin</b>	<b>2,045,801</b>	<b>119,009</b>	<b>2,124,779</b>	<b>78,978</b>	<b>2,211,053</b>	<b>(86,274)</b>
<b>Operating Expenses:</b>						
Payroll and Benefits	1,104,260	92,185	1,075,580	28,680	1,101,078	25,498
Golf Operations	71,000	4,521	60,374	10,626	84,937	24,563
General and Administrative	224,040	17,425	228,122	(4,082)	225,786	(2,336)
Golf Course Maintenance	539,300	70,477	574,557	(35,257)	766,607	192,049
Sales and Marketing	63,300	2,411	65,301	(2,001)	58,545	(6,756)
Operating Leases and Other	52,170	5,290	47,446	4,724	58,032	10,586
Total Operating Expenses	2,054,070	192,310	2,051,380	2,690	2,294,985	243,605
<b>Net Operating Income (Loss)</b>	<b>(8,269)</b>	<b>(73,301)</b>	<b>73,399</b>	<b>81,669</b>	<b>(83,932)</b>	<b>157,331</b>
<b>F&amp;B Revenues:</b>						
Food and Beverage	1,263,599	70,513	1,256,081	(7,518)	1,273,005	(16,924)
Cost of Sales	450,250	21,899	434,626	(15,624)	429,107	(5,519)
<b>Gross Margin</b>	<b>813,349</b>	<b>48,614</b>	<b>821,455</b>	<b>8,106</b>	<b>843,898</b>	<b>(22,444)</b>
<b>Operating Expenses:</b>						
Payroll and Benefits	755,840	58,935	717,380	38,460	747,984	30,604
General and Administrative	149,360	11,617	152,081	(2,721)	150,524	(1,557)
Food and Beverage	152,900	21,036	148,585	4,315	157,539	8,954
Sales and Marketing	42,200	1,608	43,534	(1,334)	39,030	(4,504)
Operating Leases and Other	34,780	3,527	31,631	3,149	38,688	7,057
Total Operating Expenses	1,135,080	96,722	1,093,211	41,869	1,133,765	40,555
<b>Net Operating Income (Loss)</b>	<b>(321,731)</b>	<b>(48,108)</b>	<b>(271,756)</b>	<b>49,975</b>	<b>(289,867)</b>	<b>18,111</b>
District Recreation Assessment	330,000	-	331,200	1,200	286,894	44,306
Interest Income/Other Income	-	-	15,000	15,000	-	15,000
Total Other Income	330,000	-	346,200	16,200	286,894	59,306
<b>Net Income (Loss)</b>	<b>-</b>	<b>(121,409)</b>	<b>147,843</b>	<b>147,843</b>	<b>(86,905)</b>	<b>234,748</b>

**SUN 'N LAKE OF SEBRING IMPROVEMENT DISTRICT**  
Management, Operation and Maintenance of Sun 'n Lake Golf Club and Island View Restaurant  
**PROPOSAL FORM**

**RFP NO. 20-07**

To: Sun 'n Lake of Sebring Improvement  
District  
5306 Sun 'n Lake Blvd.  
Sebring, FL 33872

The undersigned hereby declares that after carefully examining these proposal documents, they are fully aware of all conditions affecting such work/items, for which proposals were advertised to be returned by **October 27, 2020** and does hereby submit the following proposal for completion of said work/items. All changes must be initialed in ink.

**FOR THIS PROPOSAL TO BE CONSIDERED VALID IT IS MANDATORY THAT THE PROPOSAL BE SIGNED IN THE SPACE PROVIDED**

The

Proposer:

A. Acknowledges receipt

of:

- 1) Proposal Specifications
- 2) Addenda:

No. \_\_\_\_\_ Dated \_\_\_\_\_

No. \_\_\_\_\_ Dated \_\_\_\_\_

B. Has examined the Proposal Documents and understands that in submitting his Bid, he waives all right to plead any misunderstanding regarding the same. As requested in the General Conditions, attached are two marked duplicate copies of the original Proposal Form and ALL attachments.

\_\_\_\_\_ Yes \_\_\_ No (check one)

Attached, as required in the General Specifications section, is the List of References. \_\_\_\_\_ Yes \_\_\_ No (check one)

**Services to be provided for a proposed price of \$ \_\_\_\_\_ . \_\_\_\_\_ US Dollars**

**This proposed price is effective until \_\_\_\_\_**

The District reserves the right to accept any or all proposals, to waive informalities, and to reject all or any part of any proposal as they may deem to be in the best interest of the District.

This Proposal Form is a mandatory form to ease tabulation and analysis; however, it can be accompanied by additional support forms. An officer or representative who has official authorization to sign proposals **MUST** sign this Proposal Form. Failure to sign in the space provided below will result in the Proposal being rejected.

Company Name \_\_\_\_\_

FEIN or SS# \_\_\_\_\_

Name of Owner/Partner/Officer and Title \_\_\_\_\_

Signature of Owner/Partner/Officer \_\_\_\_\_

Business Telephone \_\_\_\_\_ Fax: \_\_\_\_\_

Business Address \_\_\_\_\_

City/State/Zip \_\_\_\_\_

(Please place copy of this sheet on top of proposal submittal for easy access at bid opening)

**LIST OF REFERENCES FORM**

Management, Operation and Maintenance of Sun 'n Lake Golf Club and Island View Restaurant

**RFP NO. 20-07**

As per the General Specifications Section, below is a list of at least three (3) client/customer references including company name, address, contact person, telephone number, date of equipment provided, maintenance services provided, description of project and value of project. (Note: only list those clients/customers in which a similar scope of work was provided)

1. Company Name: \_\_\_\_\_ Length of time since provided: \_\_\_\_\_  
Address: \_\_\_\_\_ Contact Person: \_\_\_\_\_  
Telephone: \_\_\_\_\_ Work Completion Date: \_\_\_\_\_  
Value of Project: \_\_\_\_\_  
Equipment provided: \_\_\_\_\_  
Description of Project: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. Company Name: \_\_\_\_\_ Length of time since provided: \_\_\_\_\_  
Address: \_\_\_\_\_ Contact Person: \_\_\_\_\_  
Telephone: \_\_\_\_\_ Work Completion Date: \_\_\_\_\_  
Value of Project: \_\_\_\_\_  
Equipment provided: \_\_\_\_\_  
Description of Project: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. Company Name: \_\_\_\_\_ Length of time since provided: \_\_\_\_\_  
Address: \_\_\_\_\_ Contact Person: \_\_\_\_\_  
Telephone: \_\_\_\_\_ Work Completion Date: \_\_\_\_\_  
Value of Project: \_\_\_\_\_  
Equipment provided: \_\_\_\_\_  
Description of Project: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**\*\*THIS FORM MUST BE COMPLETED AND RETURNED WITH YOUR PROPOSAL**

**NON-COLLUSION AFFIDAVIT OF PROPOSER**

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

\_\_\_\_\_, being duly sworn, deposes and says that:

1. He/She is \_\_\_\_\_ of \_\_\_\_\_ the proposer that has submitted the attached proposal;  
Title Company Name

2. He/She is fully informed with respect to the preparation and contents of the attached proposal and of all pertinent circumstances respecting such proposal;

3. Such Proposal is genuine and is not a collusive or sham proposal;

4. Neither the said Proposer nor any of its officers, partners, owners, agents, representatives, employees, or parties in interest, including this affiant, has in any way colluded, connived, or agreed, directly or indirectly, with any other proposer, firm or person to submit a collusive or sham Proposal in connection with such Contract, or has in any manner, directly or indirectly, sought by agreement or collusion or communication or conference with any other proposer, firm, or person to fix the price or prices in the attached proposal or any other proposal, or to fix any overhead, profit or cost element of the proposal price or the proposal price of any other proposer, or to secure through any collusion, connivance, or unlawful agreement any advantage against the Sun 'n Lake of Sebring Improvement District, Sebring, Florida or any person interested in the proposed Contract.

5. The price or prices quoted in the attached proposal are fair and proper and are not tainted by any collusion, conspiracy, connivance, or unlawful agreement on the part of the proposer or any of its agents, representatives, owners, employees, or parties in interest, including this affiant.

SIGNED \_\_\_\_\_

TITLE \_\_\_\_\_

SUBSCRIBED AND SWORN TO BEFORE ME THIS \_\_\_ DAY OF \_\_\_\_\_, 2020.

\_\_\_\_\_  
Notary Public, State of Florida

\_\_\_\_\_  
My Commission Expires

**\*\*THIS FORM MUST BE COMPLETED AND RETURNED WITH YOUR PROPOSAL.**

**CONFLICT OF INTEREST STATEMENT**

STATE OF FLORIDA

\_\_\_\_\_

Before me, the undersigned authority, personally appeared \_\_\_\_\_, who was duly sworn, deposes, and states:

1. I am the \_\_\_\_\_ of \_\_\_\_\_ with a local office in \_\_\_\_\_ and principal office in \_\_\_\_\_.  
City and State City and State

2. The above named entity is submitting a Proposal for the Sun ‘n Lake of Sebring Improvement District **RFP # 20-07** Described as: Management, Operation and Maintenance of Sun ‘n Lake Golf Club and Island View Restaurant

3. The Affiant has made diligent inquiry and provides the information contained in this Affidavit based upon his own knowledge.

4. The Affiant states that only one submittal for the above proposal is being submitted and that the above named entity has no financial interest in other entities submitting proposals for the same project.

5. Neither the Affiant nor the above named entity has directly or indirectly entered into any agreement, participated in any collusion, or otherwise taken any action in restraints of free competitive pricing in connection with the entity’s submittal for the above proposal. This statement restricts the discussion of pricing data until the completion of negotiations, if necessary, and execution of the Contract for this project.

6. Neither the entity nor its affiliates, nor anyone associated with them, is presently suspended or otherwise ineligible from participation in contract letting by any local, State, or Federal Agency.

7. Neither the entity, nor its affiliates, nor anyone associated with them have any potential conflict of interest due to any other clients, contracts, or property interests for this project.

8. I certify that no member of the entity’s ownership or management is presently applying for an employee position or actively seeking an elected position with the Sun ‘n Lake of Sebring Improvement District.

9. I certify that no member of the entity’s ownership or management, or staff has a vested interest in any aspect of the District.

10. In the event that a conflict of interest is identified in the provision of services, I, on behalf of the above named entity, will immediately notify the District.

**Dated** this \_\_\_\_ day of \_\_\_\_\_, 2020

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Typed Name and Title

Sworn to and subscribed before me this \_\_\_\_ day of \_\_\_\_\_, 2020

Personally Known \_\_\_\_\_ Or produced identification \_\_\_\_\_. Identification Type: \_\_\_\_\_

Notary Public-State of \_\_\_\_\_  
Printed, typed, or stamped commissioned name of notary public

My commission expires \_\_\_\_\_

**\*\*THIS FORM MUST BE COMPLETED AND RETURNED WITH YOUR PROPOSAL.**

**DISPUTES DISCLOSURE FORM**

**Answer the following questions by placing an “X” after “YES” or “NO”. If you answer “YES”, please explain in the space provided, or via attachment.**

Has your firm or any of its officers, received a reprimand of any nature or been suspended by the Department of Professional Regulations or any other regulatory agency or professional association within the last five (5) years?

YES \_\_\_\_\_ NO \_\_\_\_\_

Has your firm, or any member of your firm, been declared in default, terminated or removed from a contract or job related to the services your firm provides in the regular course of business within the last five (5) years?

YES \_\_\_\_\_ NO \_\_\_\_\_

Has your firm had against it or filed any requests for equitable adjustment, contract claims, bid protests, or litigation in the past five (5) years that is related to the services your firm provides in the regular course of business?

YES \_\_\_\_\_ NO \_\_\_\_\_

If yes, state the nature of the request for equitable adjustment, contract claim, litigation, or protest, and state a brief description of the case, the outcome or status of the suit and the monetary amounts or extended contract time involved.

I hereby certify that all statements made are true and agree and understand that any misstatement or misrepresentation or falsification of facts shall be cause for forfeiture of rights for further consideration of this proposal for the Sun ‘n Lake of Sebring Improvement District, RFP # 20-07 Management, Operation and Maintenance of Sun ‘n Lake Golf Club and Island View Restaurant

\_\_\_\_\_

Firm

\_\_\_\_\_

Date

\_\_\_\_\_

Authorized Signature and Title

\_\_\_\_\_

Printed or Typed Name and Title

**\*\*THIS FORM MUST BE COMPLETED AND RETURNED WITH YOUR PROPOSAL.**



## GENERAL TERMS AND CONDITIONS

### Article 1 - Contract Documents

#### 1.1 Definitions

**When one of the following capitalized words, terms or phrases is used in this contract, it shall be interpreted or construed first as defined below, second according to Its generally accepted meaning in the construction industry, and third according to its common and customary usage.**

**Agreement:** A written agreement between the Owner and a Contractor for provision of goods, products, materials, equipment, systems, management supervision, labor and services required to construct all or part of this Project.

**Contractor:** An entity, including but not limited to a general contractor, a trade contractor or a construction manager, engaged directly by the Owner pursuant to this Agreement.

**Project Documents:** Plans, specifications, change orders, revisions, addenda, supplementary conditions, and other information which set forth in detail the Work.

**Construction Schedule:** The timetable which sets forth pertinent dates for timely completion of the Work.

**Final Completion** The stage of construction when the Work has been completed in accordance with the Agreement and the owner has received all documents and Items necessary for closeout of the Work.

**Hazardous Substances:** The term "Hazardous substance" shall have the same meaning and definition as set forth in the Comprehensive Environmental Response compensation and Liability Act as amended, 42 U.S.C. § 6901 et seq, and regulations promulgated thereunder (collectively "CERCLA") and any corresponding state or local law or regulation, and shall also include: (a) any Pollutant or Contaminant as those terms are defined in CERCLA; (b) any solid Waste or Hazardous constituent as those terms are defined by, or are otherwise identified by, the Resource Conservation and Recovery Act as amended, 42 U.S.C. § 6901 et seq, and regulations promulgated thereunder (collectively "RCRA") and any corresponding state or local law or regulation; (c) crude oil, petroleum and fractions of distillates thereof; (d) any other material, substance or chemical defined, characterized or regulated as toxic or hazardous under any applicable law, regulation, ordinance, directive or ruling; and (e) any infectious or medical waste as defined by any applicable federal or state laws or regulations.

**Owner's Related Parties:** Any parent, subsidiary or affiliated entities of the owner, including the respective officers, trustees, office holders, directors, shareholders, partners, and employees of each.

**Professional:** An entity, including but not limited to an architect, civil engineer or geotechnical engineer, engaged directly by the Owner to provide design or engineering services.

**Project:** The planned construction undertaking as more specifically defined in the Scope of Services.

**Project Design Schedule:** The timetable which sets forth the required relationships between, and pertinent dates for, required completion of design and engineering services, documents and related activities.

**Site:** The geographical location of the Project, usually defined by legal boundary lines, and the location characteristics including, but not limited to, grades and lines of streets, alleys, pavements and adjoining structures, rights-of-way, restrictions, easements, encroachments, zoning, deed restrictions, existing buildings and improvements, and service and utility lines.

**Substantial Completion:** The stage of construction when the owner can occupy or beneficially use satisfactorily completed work for its intended purpose.

**Supplier** or **Vendor:** An entity, including but not limited to a local vendor, engaged directly by the Owner to supply equipment and or materials pursuant to this Agreement.

**Work:** Any and all computers, construction machinery, documents, equipment, facilities, fixtures, furnishings, goods, heat, items, labor, licenses, management, materials, permits, products, services, supervision, supplies, systems, taxes, testing, tools, utilities, transportation, vehicles, and water, required to be performed or supplied and/or necessary for proper execution and completion of the Project, or some portion thereof, whether or not incorporated or to be incorporated into the Project.

## **1.2 Electronic Media**

Unless otherwise specified in this Agreement, the Owner may request that any submissions of shop drawings, manuals, final drawings and/or specifications be available on electronic media. Hard copies of the operation manual and information necessary to operate the equipment shall also be provided for proper operation in the field.

## **1.3 Minimum Requirements**

In every case, requirements established by the Equipment Specifications shall be considered as the minimum which will be accepted.

## **1.4 Owner Disclaimer of Warranty**

The Owner has requested that its Professional(s) prepare documents for the Project, including the plans and specifications for the Project, which are to be complete, accurate, coordinated, and adequate for bidding, negotiating and constructing the Work, however, the Owner makes no representation or warranty of any nature whatsoever to the Vendor concerning such documents. The Vendor hereby acknowledges and represents that it has not relied, and does not and will not rely, upon any representations or warranties by the Owner concerning such documents, as no such representations or warranties have been or are hereby made.

## **1.5 Conflicts in Documents**

In the event of any conflict, discrepancy, or inconsistency among any of the documents which make up this Agreement, the following shall control:

- 1.5.1 As between figures given on plans and scaled measurements, the figures shall govern;
- 1.5.2 As between large-scale plans and small-scale plans, the large-scale plans shall govern;
- 1.5.3 As between plans and specifications, the requirements of the specifications shall govern;
- 1.5.4 As between this document and the plans, specifications, or supplementary conditions, this document shall govern.

## **1.6 Contract Changes**

The Vendor understands and agrees that this Agreement cannot be changed except as expressly provided herein. No act, omission, course of conduct, or course of dealing by the parties shall alter the requirement and that modifications of this Project Agreement can be accomplished only by written documents signed by the parties. Express written notice is a non-waivable condition precedent in connection with all changes and claims arising under or relating to this Agreement.

## **Article 2 - Goods, Products and Materials**

### **2.1 Quality Of Materials**

The Vendor shall furnish services, goods, products, materials, equipment and systems

which:

- 2.1.1 comply with this Agreement;
- 2.1.2 conform to applicable specifications, descriptions, instructions, drawings, data and samples;
- 2.1.3 are new (unless otherwise specified or permitted) and without apparent damage;
- 2.1.4 are of quality, strength, durability, capacity or appearance equal to or higher than that required by the Construction Documents;
- 2.1.5 are merchantable;
- 2.1.6 are free from defects; and
- 2.1.7 are beyond and in addition to those required by manufacturers' or suppliers' specifications where such additional items are required by the Construction Documents.

## **Article 3 – Submittals**

### **3.1 Submittal Schedule**

The Vendor shall timely prepare and transmit to the Professional a schedule for provision of all anticipated submittals. The schedule shall (i) include submittals required by the specifications; (ii) be in a format acceptable to the Professional; and (iii) set forth specific dates for submission of the listed submittals. The Vendor shall review and approve all submittals prior to submission to a Professional.

### **3.2 Processing of Submittals**

The Vendor shall in timely fashion review, approve if appropriate and forward submittals to the Professional(s) for review and approval along with such detail and information, as the Professional requires. No part of the Work dealt with by a submittal shall be fabricated or performed until such approval has been given.

- 3.2.1 A Professional is responsible to the Owner, but not to the Vendor, to verify that the submittals conform to the design concept and functional requirements of the plans and specifications, that the detailed design portrayed in shop drawings and proposed equipment and materials shown in submittals are of the quality specified and will function properly, and that the submittals comply with the Agreement.
- 3.2.2 All Work shall be performed in accordance with approved submittals. Approval of submittals by a Professional shall not relieve the Contractor from complying with this Agreement, including all plans and specifications, except as changed by change order.

## **Article 4 – Owner’s Consultant(s), Professional(s) and Construction Administration**

### **4.1 Owner's Designated Professional Representative**

Unless otherwise directed by the Owner, one designated Professional shall act as the Owner's representative from the effective date of this Agreement until one year from the date of achievement of Substantial Completion.

4.1.1 The Professional so designated will be the Owner's design representative during performance of the Work and will consult with and advise the Owner on all design and technical matters.

4.1.2 The designated Professional will act as initial interpreter of the requirements of this Agreement and as the Owner’s advisor on claims.

### **4.2 Professional Site Visits**

The Professional(s) will visit the site with sufficient frequency for familiarization with the progress and quality of the Work and to inspect the Work to determine compliance of the Work with (i) this Agreement, including approved shop drawings and other submittals; (ii) the Construction Schedule; and (iii) applicable laws, statutes, building codes, rules or regulations of all governmental, public and quasi-public authorities and agencies having or asserting jurisdiction over the Project. No site or construction work that is to be covered shall be covered until the Professional has inspected the Work and provided a written report of the inspection to the Owner.

### **4.3 Professional Rejection of Work**

The Professional(s) may disapprove or reject Work or materials which does not comply with (i) this Agreement including approved shop drawings and other submittals; or (ii) applicable laws, statutes, building codes, rules or regulations of any governmental, public and quasi-public authorities and agencies having or asserting jurisdiction over the Project.

### **4.4 Professional Evaluations**

4.4.1 The Professional(s) will review and evaluate the results of all inspections, tests and written reports required by this Agreement and by any governmental entity having or asserting jurisdiction over the Project. The Professional(s) will take appropriate action on test results, including acceptance, rejection, requiring additional testing or corrective work, or such other action deemed appropriate by the Professional(s). The Professional(s) will promptly reject Work, which does not conform to and comply with testing requirements.

4.4.2 The Professional(s) may require inspection or testing of any work in addition to that required by this Agreement or governmental entities having or asserting jurisdiction over the Project when such additional inspections and testing is necessary or advisable, whether or not such Work is then fabricated, installed or completed. The Professional(s) will take appropriate action on all such special testing and inspection reports, including acceptance, rejection, requiring additional testing or corrective work, or such other action deemed appropriate by the Professional(s).

### **4.5 Professional Submittal Activities**

The Professional(s) will review and approve, reject or take other appropriate action on submittals such as shop drawings, product data, samples and proposed equal materials or equipment and requested substitutions within not more than fourteen calendar days, and will not approve any submittals unless such submittals conform with (i) the Project design concept; (ii) this Agreement; and (iii) the Owner's budgeted Total Project Construction cost. A Professional's review of submittals shall not constitute final acceptance of materials or equipment furnished or installed if such materials or equipment should be defective or not as represented by approved submittals or as otherwise required by the Construction Documents. The Contractor remains responsible for details and accuracy, for confirming and correlating all quantities and dimensions, for selecting fabrication processes, for techniques of assembly, and for performance of the Work.

#### **4.6 Professional Interpretations**

A Professional will, when requested to do so in writing by the Vendor, promptly and so as to cause no unnecessary delay, render written or graphic interpretations and decisions necessary for the proper execution of the Work. A Professional's interpretations and decisions relating to artistic effect shall be final if not inconsistent with this Agreement.

#### **4.7 Professional Change Order Activities**

The Professional(s) will consult with and advise the Owner concerning, and will administer and manage, all change order requests and change orders on behalf of the Owner.

#### **4.9 Professional Relationship To Vendor**

The duties, obligations and responsibilities of the Vendor under this Agreement shall not be changed, abridged, altered, discharged, released, or satisfied by any duty, obligation or responsibility of any Professional. The Vendor shall not be a third-party beneficiary of any agreement by and between the Owner and any Professional. The duties of the Vendor to the Owner shall be independent of, and shall not be diminished by, any duties or obligations of any Professional to the Owner.

## ADDITIONAL SUPPLEMENTAL TERMS AND CONDITIONS

### WITNESSETH:

(1) The VENDOR hereby warrants and represents to the OWNER that it is competent and otherwise able to provide professional and high quality goods and/or services to the OWNER by means of employees who are neat in appearance and of polite demeanor.

(2) Each party hereto represents to the other that it has undertaken all necessary actions to execute this Agreement, and that it has the legal authority to enter into this Agreement and to undertake all obligations imposed on it. The person(s) executing this Agreement for the VENDOR certify that he/she/they is/are authorized to bind the VENDOR fully to the terms of this Agreement,

(3) The VENDOR hereby guarantees the OWNER that all materials, supplies, services and equipment as listed on a Purchase Order meet the requirements, specifications and standards as provided for under the *Federal Occupations Safety and Health Act of 1970*, from time to time amended and in force on the date hereof.

(4) Execution of this Agreement by the VENDOR is a representation that the VENDOR is familiar with the goods and/or services to be provided and/or performed and with local conditions. The VENDOR shall make no claim for additional time or money based upon its failure to comply with this Agreement. The VENDOR has informed the OWNER, and hereby represents to the OWNER, that it has extensive experience in performing and providing the services and/or goods described in this Agreement and that it is well acquainted with the components that are properly and customarily included within such projects and the requirements of laws, ordinance, rules, regulations or orders of any public authority or licensing entity having jurisdiction over the OWNER'S Projects.

(5) The VENDOR shall be responsible for the professional quality, accepted standards, technical accuracy, neatness of appearance of employees, employee conduct, and the coordination of all goods and/or services furnished by the VENDOR under this Agreement as well as the conduct of its staff, personnel, employees and agents. The VENDOR shall work closely with the OWNER on all aspects of the provision of the goods and/or services. With respect to services, the VENDOR shall be responsible for the professional quality, technical accuracy, competence, methodology, accuracy and the coordination of all of the following which are listed for illustration purposes and not as a limitation: documents, analysis, reports, data, plans, plats, maps, surveys, specifications, and any and all other services of whatever type or nature furnished by the VENDOR under this Agreement.

(6) Neither the OWNER'S review, approval or acceptance of, nor payment for, any of the goods and/or services required shall be construed to operate as a waiver of any rights under this Agreement or of any cause of action arising out of the performance of this Agreement and the VENDOR shall be and remain liable to the OWNER in accordance with applicable law for all damages to the OWNER caused by the VENDOR negligent or improper performance or failure to perform any of the goods and/or services furnished under this Agreement.

(7) The OWNER and the VENDOR will make every effort to resolve all disputable items contained in the VENDOR'S invoices.

(8) Each invoice shall reference this Agreement, the appropriate billing period.

(9) The *Florida Prompt Payment Act* shall apply when applicable. A billing period represents the dates in which the VENDOR completed goods and/or services referenced in an invoice.

(10) Invoices are to be forwarded directly to:

**Sun 'n Lake of Sebring Improvement District  
5306 Sun 'n Lake Blvd.  
Sebring, Florida 33872**

(11) OWNER designates the OWNER, Manager or his/her designated representative, to represent the OWNER in all matters pertaining to and arising from the work and the performance of this Agreement.

**(12)** The OWNER, Manager, or his/her designated representative, shall have the following responsibilities:

(a) Examination of all work and rendering, in writing, decisions indicating the OWNER'S approval or disapproval within a reasonable time so as not to materially delay the work of the VENDOR;

(b) Transmission of instructions, receipt of information, and interpretation and definition of OWNER'S policies and decisions with respect to design, materials, and other matters pertinent to the work covered by this Agreement;

(c) Giving prompt written notice to the VENDOR whenever the OWNER official representative knows of a defect or change necessary in the project; and

(d) Coordinating and managing the VENDOR'S preparation of any necessary applications to governmental bodies, to arrange for submission of such applications.

**(13)** The VENDOR agrees to comply with Federal, State, and local environmental, health, and safety laws and regulations applicable to the goods and/or services provided to the OWNER. The VENDOR agrees that any program or initiative involving the work that could adversely affect any personnel involved, citizens, residents, users, neighbors or the surrounding environment will ensure compliance with any and all employment safety, environmental and health laws.

**(14)** The VENDOR shall advise the OWNER in writing if it has been placed on a discriminatory vendor list, may not submit a bid on a contract to provide goods or services to a public entity, or may not transact business with any public entity.

**(15)** The VENDOR shall not engage in any action that would create a conflict of interest in the performance of that actions of any OWNER employee or other person during the course of performance of, or otherwise related to, this Agreement or which would violate or cause others to violate the provisions of Part III, Chapter 112, *Florida Statutes*, relating to ethics in government.

**(16)** In the event of any audit or inspection conducted revealing any overpayment by the OWNER under the terms of the Agreement, the VENDOR shall refund such overpayment to the OWNER within thirty (30) days of notice by the OWNER of the request for the refund.

**SAMPLE AGREEMENT FORM  
CONTRACT**

THIS IS AN AGREEMENT between the SUN 'N LAKE OF SEBRING IMPROVEMENT DISTRICT, a special taxing district of the State of Florida and Highlands County (herein called "District") and <<CONTRACTOR>> (herein called "Contractor").

1.       PREMISE

District would like for Contractor to do the Work as defined herein and Contractor would like to do so on the terms and conditions set forth herein and in accordance with the Request for Bids or Proposals, the plans, the specifications, the Bid Form, General Terms and Conditions, Special Conditions and all Bid and Contract Documents, which are collectively made a part of this Contract and in part attached as Exhibit A. Contractor agrees to furnish at its own cost and expense, all labor, tools, materials, equipment, superintendence, security, insurance, testing and all other accessories and services necessary to accomplish the Work.

2.       WORK (herein collectively called the "Project" or the "Work")

**RFP # 20-07 – Management, Operation and Maintenance of Sun 'n Lake Golf Club and Island View Restaurant**

3.       CONTRACT PRICE

District shall pay to Contractor the sum of <<CONTRACT AMOUNT WRITTEN>> Dollars (\$<<NUMERICAL CONTRACT AMOUNT>>) as the total price for the completion of the Project, subject to increase or decrease as provided herein.

4.       NOTICES

Whenever any notice is required or permitted by this contract to be given, such notice shall be by certified mail or overnight delivery addressed to:

Contractor:

<<COMPANY NAME>>  
<<CONTACT>>  
<<ADDRESS>>  
<<CITY, STATE ZIP>>  
<<PHONE>>  
<<FAX>>(fax)

District:

Sun 'n Lake of Sebring Improvement District <<PRIMARY  
Tanya Cannady, General Manger  
5306 Sun 'n Lake Boulevard  
Sebring, Florida 33872  
863-382-2196  
863-382-2988 (fax)



Notice shall be considered given when deposited with the U.S. Postal Service or commercial carrier, postage prepaid. Each party will be responsible for notifying the other of any change in their address.

## 5. PAYMENT

District shall pay Contractor upon a mutually agreeable payment schedule for Work completed. Upon Contractor's application for payment, the <<PROJECT MANAGER>>, or his designee(s), will make an inspection and, if the Work is found to be acceptable under the contract, they will submit the payment request to the District General Manager. The District Public Works Director and/or District Consulting Engineer shall have five working days to review the application for payment. Once approved the District shall have ten working days to process and issue the payment. A 10% retainer shall be retained until completion of project.

## 6. CHANGE ORDERS

The Contract Price and the Contract Time may be changed only by a written Change Order. The District, without invalidating the Contract, may order changes in the Work within the general scope of the Contract consisting of additions, deletions or other revisions, the Contract Price and the Contract Time being adjusted accordingly. All such Changes in the Work shall be authorized only by written Change Order and shall be executed under the applicable conditions of the Contract Documents. The Contractor shall not change, alter, or delete in any manner, any portion of the Specifications without prior approval by the District.

## 7. CANCELLATION

The District may terminate this Contract for default if the Contractor has been found to have provided the service in an "unsatisfactory manner". An "unsatisfactory manner" includes, but is not limited to: Failure to supply exact services specified within the required service periods, providing sub-standard services, and/or the inability to maintain Bid prices for the term of the Contract. The District may further terminate this Contract if the Contractor fails to comply with any other provisions of the Contract. In such cases, the Contract shall be terminated in the following manner: The Contractor will be notified, in writing, of the nature of their failure to perform and time certain for correcting the failure will be specified. Unless the failure is corrected, the Contractor shall be found in default and the Contract shall be subject to immediate cancellation. Termination shall be effected by serving a notice of termination on the Contractor setting forth the manner in which the Contractor is in default. The Contractor will only be paid the Contract Price for service provided and accepted in accordance with the Specifications, terms and conditions set forth in the Contract.

## 8. EXAMINATION AND FAMILIARITY WITH SITE

Contractor represents that it has examined the Project site thoroughly before entering into this agreement and is knowledgeable of all site conditions, above and below ground, and placement of all utilities. Contractor has also fully investigated the typical weather for the time of year required for performance of the Contract. Contractor has undertaken such inspections as it deems necessary to undertake the Project at the contract price set forth herein.

9. UNUSUAL CONDITIONS

Should concealed conditions encountered in the performance of the Work below the surface of the ground be at variance with the conditions indicated by the Contract Documents or should unknown physical conditions below the surface of the ground of an unusual nature, differing materially from those ordinarily encountered and generally recognized as inherent in work of the character provided for in this Contract be encountered, the guaranteed maximum cost shall be equitably adjusted by Change Order upon claim by either party, on condition that the claim is made in writing within a seven (7) calendar days after the first observance of the condition.

10. COMMENCEMENT AND COMPLETION DATES

Contractor hereby agrees to commence Work under this contract no later than <<START DATE>> and shall be responsible to achieve final completion of the Project by <<COMPLETION DATE>>, with detailed deadlines outlined in Attachment A. Contractor shall be solely responsible for the means, methods, techniques utilized in the design and construction.

11. PENALTY

It is acknowledged that the Contractor's failure to achieve substantial completion of the Work within the Contract Time provided by the Contract Documents will cause the District to incur substantial economic damages and losses of types and in amounts which are impossible to compute and ascertain with certainty as a basis for recovery by the District of actual damages, and that liquidated damages represent a fair, reasonable and appropriate estimate thereof. Accordingly, in lieu of actual damages for such delay, the Contractor agrees that liquidated damages may be assessed and recovered by the District as against Contractor, in the event of delayed completion and without the District being required to present any evidence of the amount or character of actual damages sustained by reason thereof; therefore Contractor shall be liable to the District for payment of liquidated damages in the amount of [Liquidated Damages Written and (#)] for each calendar day that Substantial Completion is delayed beyond the Contract Time as adjusted for time extensions provided by the Contract Documents. Such liquidated damages are intended to represent estimated actual damages and are not intended as a penalty, and Contractor shall pay them to District without limiting District's right to terminate this agreement for default as provided elsewhere herein.

12. LAWS AND REGULATIONS

The Contractor is assumed to be familiar with all federal, state and local laws, ordinances, rules and regulations that may in any manner affect performance of the Contract. The failure to be familiar with applicable laws will in no way relieve the Contractor from responsibility. Contractor shall comply with all laws, ordinances, rules, orders and regulations relating to performance of the Work and the protection of persons and property.

13. WORKMANSHIP

Contractor shall, in a good and workmanlike manner, perform all Work and furnish all supplies and materials necessary and proper to complete the Work under this contract, within the time specified herein, in accordance with the provisions of this contract, including any specifications, plans and drawings provided to Contractor. Contractor shall complete the entire Project to the satisfaction of District.

14. PROTECTION OF PROPERTY AND IMPROVEMENTS

Contractor shall be responsible for the protection of all existing paving, buildings, grass, landscaping, utilities and adjacent real property and shall promptly repair, at its sole cost, any damage caused, in whole or in part, by Contractor or its agents or subcontractors during the construction or completion of the Work or Project unless specifically excluded by District.

15. CLEAN-UP AND REMOVAL OF DEBRIS

Contractor shall daily keep the site in a clean and orderly condition, free from all refuse, rubbish, scrap materials and debris caused by Contractor's operations.

16. DRUG-FREE WORKPLACE

Contractor acknowledges that District is a drug-free work place. Contractor covenants that all employees of Contractor working upon District property shall be subject to implementation of all possible provisions to maintain a drug-free environment and that Contractor will adhere to the provisions of Florida Statute section 440.102 (Chapter 440).

17. REQUIRED INSURANCE

Contractor shall provide, pay for, and maintain in force at all times during the Project, such insurance, including Workers' Compensation Insurance, Employer's Liability Insurance, Comprehensive General Liability Insurance and Business Automobile Liability, as will assure to the District of the protection contained in the indemnification and hold harmless clauses of Section 25 of this agreement undertaken by Contractor and in compliance with the applicable provisions of this contract. The Comprehensive General Liability and Business Automobile Liability policies shall clearly identify the indemnification and hold harmless clauses of Section 25 of this agreement by the additional named insured endorsement under this article.

Such policy or policies shall be issued by an insurance company authorized to do business in the State of Florida and be written by a resident agent licensed by The State of Florida. Contractor shall specifically protect the District of by naming the District as an additional named insured under the Comprehensive General Liability Insurance and Business Automobile Liability policies hereinafter described. A current Certificate of Insurance meeting these requirements shall be evidence of the required coverage.

The following coverage shall be provided:

Workers' Compensation Insurance to apply for all employees in compliance with the "Workers' Compensation Law" of the State of Florida and all applicable Federal laws. In addition, the policy(ies) must include Employers' Liability with limits of One Hundred Thousand Dollars (\$100,000.00) Each Accident, Five Hundred Thousand Dollars (\$500,000.00) Each Disease, and One Million Dollars (\$1,000,000.00) Aggregate by Disease. All exemptions allowed by law must be specified in conjunction with the above specified requirements as applicable.

Comprehensive General Liability with minimum limits of One Million Dollars (\$1,000,000.00) per occurrence single limit for Bodily Injury Liability and Property Damage Liability. The policy shall not contain exclusions for explosion, collapse, or underground (X, C, U) hazards. All policies shall be written on an occurrence basis where available. The

required limits may be met by the issuance of an excess or umbrella coverage policy so long as the DISTRICT is named as an additional insured on such policies. Coverage shall include:

- (a) Premises/Operations Liability on an occurrence basis.
- (b) Independent contractors.
- (c) Product and Completed Operations Liability on an occurrence basis.
- (d) Broad Form Property Damage.
- (e) Broad Form Contractual Coverage applicable to this specific Agreement, including any hold harmless and/or indemnification agreement.
- (f) Personal Injury Coverage with Employees and Contractual Exclusions removed with minimum limits of coverage equal to those required for Bodily Injury Liability and Property Damage Liability.

Business Automobile Liability with minimum limits of One Million Dollars (\$1,000,000.00) per occurrence combined single limit for Bodily Injury Liability and Property Damage Liability. Coverage must be afforded on a form no more restrictive than the latest edition of the Business Automobile Liability Policy, without restrictive endorsements, as filed by the Insurance Services Office and must include: Owned vehicles, Non-owned and hired vehicles

Notice of Cancellation, Expiration and/or Restriction: The policies must be endorsed to provide the District with thirty (30) days advanced written notice of cancellation, expiration, and/or restriction of coverage.

Contractor shall furnish to the District, Certificate(s) of Insurance and certified copies of all insurance policies evidencing the insurance coverage's required herein prior to notice to proceed by the District. Such certificate(s) shall reference this agreement. The certificate holder shall be the District.

18. TRANSFER OR ASSIGNMENT PROHIBITED

Contractor shall not assign this contract, in whole or in part, or any monies due or to become due hereunder, without the written consent of District.

19. ACCEPTANCE AND WARRANTY

Unless a longer period is otherwise provided in the Contract Documents, Contractor warrants that the Work shall be free from defects in material and workmanship at the time of final completion and for a period of one year from the date of final completion. Acceptance of the Work and final payment shall not relieve Contractor of the obligation to remedy Work that does not comply with the Contract Documents. Contractor warrants to District that all materials and equipment furnished under this Contract will be new unless otherwise specified, and that all Work will be of good quality, free from faults and defects and in conformance with the Contract Documents. All Work not so conforming to these standards may be considered defective, and Contractor shall promptly repair or replace the defective Work. Contractor shall promptly repair all defects at Contractor's expense. The provisions of this section shall survive the closing.

20. TAXES

Contractor shall pay at Contractor's expense, included as a part of the contract price, all sales, consumer, use and other similar taxes required by law resulting from the Work which are in effect as of the date of execution of this Agreement.

21. PERMITS, FEES AND NOTICES

Contractor shall secure and pay for all permits and licenses necessary for the proper execution and completion of the Work which are in effect as of the date of execution of this contract. Contractor shall give all notices and comply with all laws, ordinances, rules, regulations and orders of any public authority bearing on the performance of the Work. If either Contractor or District observes that any of the Contract Documents are at variance therewith in any respect, it shall promptly notify the other party, in writing, and any necessary changes shall be adjusted by appropriate modification. If Contractor performs any Work which is contrary to such laws, ordinances, rules and regulations in effect as of the date of execution of this Agreement, then Contractor shall assume full responsibility therefore and shall bear all costs attributable thereto.

22. RESPONSIBILITY FOR THOSE PERFORMING THE WORK

Contractor shall be responsible to District for the acts and omissions of all its employees and all subcontractors, their agents and employees and all other persons performing any of the Work by, through, or under Contractor.

23. PROVISIONS REQUIRED BY LAW DEEMED INSERTED

Each and every provision of law and clause required by law to be inserted in this document shall be deemed to be inserted herein and the contract shall be read and enforced as though it were included, and if, through mistake or otherwise, any such provision is not inserted, or is not correctly inserted, then upon application of either party, the contract shall forthwith be physically amended to make such insertion or correction.

24. SAFETY AND HEALTH REGULATIONS

Contractor shall comply with the Department of Labor Safety and Health Regulations for construction promulgated under the Occupational Safety and Health Act and such other rules and regulations as may be applicable to this Project. Contractor shall be solely responsible for initiating, maintaining and supervising all safety precautions and programs in connection with the Work. Contractor shall comply with all applicable laws, ordinances, rules, regulations and orders of any public authority having jurisdiction for the safety of persons or property or to protect them from damage, injury or loss. It shall erect and maintain, as required by existing conditions and progress of the Work, all reasonable safeguards for safety and protection, including, securing materials for the Project, providing appropriate lighting and posting danger signs and other warnings against hazards, promulgating safety regulations and notifying owners and users of adjacent utilities. Contractor and District's designee shall mutually agree on appropriate staging areas for the materials and equipment for the Project so as to not unreasonably encumber District's other real property.

25. INDEMNIFICATION AND HOLD HARMLESS

To the fullest extent permitted by Laws and Regulations, Contractor shall indemnify and hold harmless the District and their consultants, agents and employees from and against all claims, damages, losses and expenses, direct, indirect or consequential (including but not limited to reasonable fees and charges of attorneys and other professionals and court and arbitration costs) arising out of or resulting from the performance of the work, provided that any such claim, damage, loss or expense (a) is attributable to bodily injury, sickness, disease or death, or to injury to or destruction of tangible property (other than the work itself) including the loss of use resulting therefrom and (b) is caused in whole or in part by any willful or negligent act or omission of Contractor, any subcontractor, any person or organization directly or indirectly employed by any of them to perform or furnish any of the work or anyone for whose acts any of them may be liable, regardless of whether or not it is caused in part by a party indemnified hereunder or arises by or is imposed by Law and Regulations regardless of the negligence of any such party.

In any and all claims against the District or any of their consultants, agents or employees by any employee of Contractor, any Subcontractor, any person or organization directly or indirectly employed by any of them to perform or furnish any of the work or anyone for whose acts any of them may be liable, the indemnification obligation under the above paragraph shall not be limited in any way by any limitation on the amount or type of damages, compensation or benefits payable by or for Contractor or any such Subcontractor or other person or organization under workers or workman's compensation acts, disability benefit acts or other employee benefit acts.

It is the specific intent of the parties hereto that the foregoing indemnification complies with Florida Statute 725.06 (Chapter 725). It is further the specific intent and agreement of the parties that all of the Contract Documents on this project are hereby amended to include the foregoing indemnification and the "Specific Consideration" therefore as a portion of the contract price.

26. DEFAULT

In any action brought by either party for the interpretation or enforcement of the obligations of the other party including District's right to indemnification, the prevailing party shall be entitled to recover from the losing party all reasonable attorney's fees, paralegal fees, court and other costs, whether incurred before or during litigation, on appeal, in bankruptcy or in post judgment collections.

27. BINDING EFFECT

This contract shall bind and inure to the benefit of the successors and assigns of each of the parties.

28. GOVERNING LAW AND LITIGATION

The Contract shall be governed by the laws of the State of Florida as they are now and hereinafter in force. Jurisdiction and venue of any litigation arising out of the Contract shall be exclusively in Highlands County, Florida. In the event of litigation to settle issues arising hereunder, the prevailing party in such litigation shall be entitled to recover against the other party its costs and expenses, including reasonable attorney fees, which shall include any fees and costs attributable to pre-trial, trial, and appellate proceedings arising on and of such litigation.

29. UNAUTHORIZED ALIEN WORKERS

The Sun 'n Lake of Sebring Improvement District will not intentionally award publicly-funded contracts to any contractor who knowingly employs unauthorized alien workers, constituting a violation of the employment provisions contained in 8 U.S.C. Section 1324a(e) [Section 274A(e) of the Immigration and Nationality Act (“INA”). The District shall consider the employment by a contractor of unauthorized aliens a violation of Section 274A(e) of the INA. Such violation by the Recipient of the employment provisions contained in Section 274A(3) of the INA shall be grounds for unilateral cancellation of this Agreement by the District.

Employment Eligibility Verification

(a) *Definitions.* As used in this paragraph

*Employee assigned to this Contract* means an employee who was hired after November 6, 1986, who is directly performing work, in the United States, under this Contract. An employee is not considered to be directly performing work under this Contract if the employee—

- (1) Normally performs support work, such as indirect or overhead functions; and
- (2) Does not perform any substantial duties applicable to the contract.

*Subcontract* means any contract entered into by a subcontractor to furnish supplies or services for performance of this Contract or a subcontract under this Contract. It includes but is not limited to purchase orders, and changes and modifications to purchase orders.

*Subcontractor* means any supplier, distributor, vendor, or firm that furnishes supplies or services to or for Contractor or another subcontractor.

*United States*, as defined in 8 U.S.C. 1101(a)(38), means the 50 States, the District of Columbia, Puerto Rico, Guam, and the U.S. Virgin Islands.

(b) *Enrollment and verification requirements.*

(1) The Contractor must be enrolled in E-Verify at time of contract award, and the Contractor shall use E-Verify to initiate verification of employment eligibility of—

(i) *All new employees.*

(A) *Enrolled 30 calendar days or more.* The Contractor shall initiate verification of employment eligibility of all new hires of the Contractor, who are working in the State of Florida, whether or not assigned to this Contract, within 3 business days after the date of hire; or

(B) *Enrolled less than 30 calendar days.* Within 30 calendar days after enrollment in E-Verify, the Contractor shall initiate verification of employment eligibility of all new hires of the Contractor who are working in the State of Florida, whether or not assigned to this Contract, within 3 business days after the date of hire.

(ii) *Employees assigned to this Contract.* For each employee assigned to this Contract, the Contractor shall initiate verification of employment eligibility, to the extent allowed by the E-Verify program, within 30



calendar days after date of contract award or within 30 days after assignment to this Contract, whichever date is later. (2) The Contractor shall comply, for the period of performance of this Contract, with the requirements of the E-Verify program MOU. Termination of the Contractor's MOU and denial of access to the E-Verify system by the Department of Homeland Security or the Social Security Administration or the U.S. Citizenship and Immigration Service is an event of default under this Contract.

(c) *Web site.* Information on registration for and use of the E-Verify program can be obtained via the Internet at the U.S. Citizenship and Immigration Service's Web site: <http://www.uscis.gov>.

(d) *Individuals previously verified.* The Contractor is not required by this paragraph to perform additional employment verification using E-Verify for any employee whose employment eligibility was previously verified by the Contractor through the E-Verify program.

(e) *Subcontracts.* The Contractor shall include, and shall require the inclusion of, the requirements of this paragraph, including this subparagraph (e) (appropriately modified for identification of the parties), in each subcontract that includes work performed in the United States under this Contract.

30. MULTIPLE ORIGINALS

This contract is executed in multiple copies, each of which shall be deemed an original.

AGREED TO this \_\_\_\_ day of \_\_\_\_\_, 2020.

SUN'N LAKE OF SEBRING IMPROVEMENT DISTRICT

\_\_\_\_\_  
Tanya Cannady, General Manager

\_\_\_\_\_  
Date

CONTRACTOR:

\_\_\_\_\_  
<<AUTHORIZED COMPANY REPRESENTATIVE>>

\_\_\_\_\_  
Date

<<COMPANY NAME>>

Corporate Seal