

**Sterling Hill Community
Development District**

ANNUAL FINANCIAL REPORT

September 30, 2021

**Sterling Hill Community Development District
ANNUAL FINANCIAL REPORT**

September 30, 2021

TABLE OF CONTENTS

	<u>Page Number</u>
REPORT OF INDEPENDENT AUDITORS	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-9
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds	12
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	16
Notes to Financial Statements	17-27
INDEPENDENT AUDITORS' 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	28-29
MANAGEMENT LETTER	30-33
INDEPENDENT ACCOUNTANTS' REPORT/COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES	34



Berger, Toombs, Elam, Gaines & Frank

Certified Public Accountants PL

600 Citrus Avenue
Suite 200
Fort Pierce, Florida 34950

772/461-6120 // 461-1155
FAX: 772/468-9278

REPORT OF INDEPENDENT AUDITORS

To the Board of Supervisors
Sterling Hill Community Development District
Hernando County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Sterling Hill Community Development District as of and for the year ended September 30, 2021, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Accounting 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 opinion.

Fort Pierce / Stuart

To the Board of Supervisors
Sterling Hill Community Development District

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Aggregate Discretely Presented Component Unit	Adverse
General Fund	Unmodified
Debt Service Fund	Unmodified

Basis of Adverse Opinion on the Discretely Presented Component Unit

The financial statements do not include financial data for the District's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include the financial data for its component unit. The District has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net position, revenues, and expenses of the aggregate discretely presented component unit should have been presented.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Discretely Presented Component Unit", the financial statements referred to above do not present fairly, the financial position of the discretely presented component unit of the District as of September 30, 2021, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Adverse Opinion on the Discretely Presented Component Unit" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate remaining fund information of the District as of September 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of September 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Supervisors
Sterling Hill Community Development District

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 24, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts.

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

*Berger Toombs Elam
Gaines + Frank*

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

March 24, 2022

**Sterling Hill Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2021**

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

**Sterling Hill Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2021**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

Notes to financial statements provide additional detail concerning the financial activities and financial balances of the District. Additional information about the accounting practices of the District, investments of the District, capital assets and long-term debt are some of the items included in the *notes to financial statements*.

Financial Highlights

The following are the highlights of financial activity for the year ended September 30, 2021.

- ◆ The District's total assets were exceeded by total liabilities by \$(2,139,703) (net position). Net investment in capital assets for the District was \$1,204,397. Unrestricted net position was \$(3,344,100).
- ◆ Governmental activities revenues totaled \$2,303,448 while governmental activities expenses totaled \$3,379,056.

**Sterling Hill Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2021**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District

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

Net Position

	Governmental Activities	
	2021	2020
Current assets	\$ 1,724,373	\$ 1,500,513
Restricted assets	632,025	659,441
Capital assets	9,531,644	10,805,960
Total Assets	11,888,042	12,965,914
Current liabilities	5,952,745	5,555,009
Non-current liabilities	8,075,000	8,475,000
Total Liabilities	14,027,745	14,030,009
Net Position		
Net investment in capital assets	1,204,397	855,604
Unrestricted	(3,344,100)	(1,919,699)
Total Net Position	\$ (2,139,703)	\$ (1,064,095)

The increase in current assets is mainly related to revenues exceeding expenditures in the General Fund in the current year.

The decrease in capital assets is related to current year depreciation.

The increase in current liabilities is mainly related to the increase in matured bonds payable in the current year.

The decrease in non-current liabilities is primarily due to bond principal payments in the current year.

The decrease in net position is mainly related to expenses exceeding revenues in the current year.

**Sterling Hill Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2021**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District (Continued)

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

Change In Net Position

	Governmental Activities	
	2021	2020
Program Revenues		
Charges for services	\$ 2,237,866	\$ 2,309,883
General Revenues		
Miscellaneous revenues	65,273	-
Investment earnings	309	13,208
Total Revenues	<u>2,303,448</u>	<u>2,323,091</u>
Expenses		
General government	150,552	166,616
Public safety	42,445	41,219
Physical environment	846,187	804,499
Culture/recreation	895,835	790,042
Transportation	624,849	614,531
Interest and other charges	819,188	726,301
Total Expenses	<u>3,379,056</u>	<u>3,143,208</u>
Gain from bond cancellation	-	4,048,539
Gain from lot sales	-	693,968
Change in Net Position	(1,075,608)	3,922,390
Net Position - Beginning of Year	<u>(1,064,095)</u>	<u>(4,986,485)</u>
Net Position - End of Year	<u>\$ (2,139,703)</u>	<u>\$ (1,064,095)</u>

The decrease in charges for services is related to a budgeted decrease in special assessments.

The decrease in general government is related to decreased legal fees in the current year.

The increase in physical environment is related to the increase in landscape expenses in the current year.

**Sterling Hill Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2021**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Capital Assets Activity

The following schedule provides a summary of the District's capital assets as of September 30, 2021 and 2020:

	Governmental Activities	
	2021	2020
Land and improvements	\$ 1,500,000	\$ 1,500,000
Infrastructure	22,392,143	22,392,143
Buildings and improvemnets	3,059,650	3,059,650
Equipment	267,797	258,063
Accumulated depreciation	<u>(17,687,946)</u>	<u>(16,403,896)</u>
Total Capital Assets, net	<u><u>\$ 9,531,644</u></u>	<u><u>\$ 10,805,960</u></u>

The capital asset activity in the current year was depreciation of \$1,284,050 and additions to equipment of \$9,734.

General Fund Budgetary Highlights

The final budget exceeded actual expenditures in the current year because capital outlay and reserve expenditures were less than anticipated.

The budget was not amended in the current year.

Debt Management

Governmental Activities debt includes the following:

- ◆ In October 2003, the District issued \$12,535,000 Series 2003A and \$26,465,000 Series 2003B Capital Improvement Revenue Bonds. The bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. The District has failed to pay principal payments of \$1,430,000 on the Series 2003A and \$3,725,000 on the Series 2003B Bonds. These amounts are reflected as matured bonds payable in the financial statements. The balance outstanding for the Series 2003A Bonds at September 30, 2021 was \$8,475,000.

**Sterling Hill Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2021**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Economic Factors and Next Year's Budget

Sterling Hill Community Development District does not expect any economic factors to have any significant effect on the financial position or results of operations of the District in fiscal year 2022.

Request for Information

The financial report is designed to provide a general overview of Sterling Hill Community Development District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Sterling Hill Community Development District's Accounting Department at 3434 Colwell Avenue, Suite 200, Tampa, Florida 33614.

Sterling Hill Community Development District
STATEMENT OF NET POSITION
September 30, 2021

	Governmental Activities
ASSETS	
Current Assets	
Cash	\$ 1,654,696
Prepaid expenses	39,014
Deposits	30,663
Total Current Assets	1,724,373
Non-Current Assets	
Restricted Assets	
Investments	632,025
Capital Assets, Not Being Depreciated	
Land and improvements	1,500,000
Capital Assets, Being Depreciated	
Buildings and improvements	3,059,650
Infrastructure	22,392,143
Equipment	267,797
Accumulated depreciation	(17,687,946)
Total Non-Current Assets	10,163,669
Total Assets	11,888,042
 LIABILITIES	
Current Liabilities	
Accounts payable and accrued expenses	43,185
Unearned revenues	14,470
Matured bonds payable	5,155,000
Bonds payable	400,000
Accrued interest	340,090
Total Current Liabilities	5,952,745
Non-Current Liabilities	
Bonds payable, net	8,075,000
Total Liabilities	14,027,745
 NET POSITION	
Net investment in capital assets	1,204,397
Unrestricted	(3,344,100)
Total Net Position	\$ (2,139,703)

See accompanying notes to financial statements.

Sterling Hill Community Development District
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expenses) Revenues and Change in Net Position Governmental Activities</u>
Governmental Activities			
General government	\$ (150,552)	\$ 152,923	\$ 2,371
Public safety	(42,445)	48,285	5,840
Physical environment	(846,187)	620,597	(225,590)
Culture/recreation	(895,835)	513,337	(382,498)
Transportation	(624,849)	97,863	(526,986)
Interest and other charges	(819,188)	804,861	(14,327)
Total Governmental Activities	<u>\$ (3,379,056)</u>	<u>\$ 2,237,866</u>	<u>(1,141,190)</u>
		General Revenues	
		Miscellaneous revenues	65,273
		Investment income	309
		Total General Revenues	<u>65,582</u>
		Change in Net Position	(1,075,608)
		Net Position - Beginning of Year	<u>(1,064,095)</u>
		Net Position - End of Year	<u>\$ (2,139,703)</u>

See accompanying notes to financial statements.

Sterling Hill Community Development District
BALANCE SHEET –
GOVERNMENTAL FUNDS
September 30, 2021

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash	\$ 1,654,696	\$ -	\$ 1,654,696
Prepaid expenses	39,014	-	39,014
Deposits	30,663	-	30,663
Restricted assets			
Investments, at fair value	-	632,025	632,025
Total Assets	\$ 1,724,373	\$ 632,025	\$ 2,356,398
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued expenses	\$ 43,185	\$ -	\$ 43,185
Matured bonds payable	-	5,155,000	5,155,000
Unearned revenues	14,470	-	14,470
Total Liabilities	57,655	5,155,000	5,212,655
 FUND BALANCES			
Nonspendable:			
Prepaid expenses/deposits	69,677	-	69,677
Assigned to:			
Capital reserves	1,038,876	-	1,038,876
Unassigned	558,165	(4,522,975)	(3,964,810)
Total Fund Balances	1,666,718	(4,522,975)	(2,856,257)
Total Liabilities and Fund Balances	\$ 1,724,373	\$ 632,025	\$ 2,356,398

See accompanying notes to financial statements.

Sterling Hill Community Development District
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
September 30, 2021

Total Governmental Fund Balances	\$ (2,856,257)
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, land and improvements, \$1,500,000, infrastructure, \$22,392,143, buildings and improvements, \$3,059,650, equipment, \$267,797, less accumulated depreciation, \$(17,687,946) used in governmental activities are not current financial resources, and therefore, are not reported at the fund level.	9,531,644
Long-term liabilities, bonds payable, are not due and payable in the current period, and therefore, are not reported at the fund level.	(8,475,000)
Accrued interest expense for long-term debt is not a current financial use, and therefore, is not reported at the fund level.	<u>(340,090)</u>
Net Position of Governmental Activities	<u><u>\$ (2,139,703)</u></u>

See accompanying notes to financial statements.

Sterling Hill Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
For the Year Ended September 30, 2021

	General	Debt Service	Total Governmental Funds
REVENUES			
Special assessments	\$ 1,433,005	\$ 804,861	\$ 2,237,866
Miscellaneous revenues	65,273	-	65,273
Investment income	247	62	309
Total Revenues	<u>1,498,525</u>	<u>804,923</u>	<u>2,303,448</u>
EXPENDITURES			
Current			
General government	134,428	16,124	150,552
Public safety	42,445	-	42,445
Physical environment	545,540	-	545,540
Culture/recreation	451,253	-	451,253
Transportation	86,028	-	86,028
Capital outlay	9,734	-	9,734
Debt service			
Principal	-	375,000	375,000
Interest	-	816,215	816,215
Total Expenditures	<u>1,269,428</u>	<u>1,207,339</u>	<u>2,476,767</u>
Net Change in Fund Balance	229,097	(402,416)	(173,319)
Fund Balances - Beginning of Year	<u>1,437,621</u>	<u>(4,120,559)</u>	<u>(2,682,938)</u>
Fund Balances - End of Year	<u><u>\$ 1,666,718</u></u>	<u><u>\$ (4,522,975)</u></u>	<u><u>\$ (2,856,257)</u></u>

See accompanying notes to financial statements.

Sterling Hill Community Development District
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2021

Net Change in Fund Balances – Total Governmental Funds \$ (173,319)

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

Capital outlay is reported as an expenditure at the fund level. However the cost of these assets are allocated over their estimated useful lives as depreciation at the government-wide level. This is the amount that depreciation, \$(1,284,050), exceeded capital outlay, \$9,734, in the current year. (1,274,316)

Repayment of bond principal is reported as an expenditure at the fund level but the repayment reduces long-term liabilities at the government-wide level. 375,000

At the government-wide level, interest is accrued on outstanding bonds; whereas in the governmental funds, interest expenditures are reported when due. This is the change in accrued interest in the current period. (2,973)

Change in Net Position of Governmental Activities \$ (1,075,608)

See accompanying notes to financial statements.

Sterling Hill Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND
For the Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Special assessments	\$ 1,409,070	\$ 1,409,070	\$ 1,433,005	\$ 23,935
Miscellaneous revenues	20,000	20,000	65,273	45,273
Investment income	-	-	247	247
Total Revenues	<u>1,429,070</u>	<u>1,429,070</u>	<u>1,498,525</u>	<u>69,455</u>
Expenditures				
Current				
General government	155,611	155,611	134,428	21,183
Public safety	49,300	49,300	42,445	6,855
Physical environment	557,153	557,153	545,540	11,613
Culture/recreation	520,256	520,256	451,253	69,003
Transportation	61,250	61,250	86,028	(24,778)
Capital outlay	85,500	85,500	9,734	75,766
Total Expenditures	<u>1,429,070</u>	<u>1,429,070</u>	<u>1,269,428</u>	<u>159,642</u>
Net Change in Fund Balances	-	-	229,097	229,097
Fund Balances - Beginning of Year	-	-	1,437,621	1,437,621
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,666,718</u>	<u>\$ 1,666,718</u>

See accompanying notes to financial statements.

Sterling Hill Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

The District was established on March 20, 2003, pursuant to the Uniform Community Development District Act of 1980, Chapter 190, Florida Statutes, as amended (the "Act"), by Hernando County, Florida Ordinance 2003-04 as a Community Development District. The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of the infrastructure necessary for community development within its jurisdiction. The District is authorized to issue bonds for the purpose, among others, of financing, funding, planning, establishing, acquiring, constructing district roads, landscaping, and other basic infrastructure projects within or outside the boundaries of the Sterling Hill Community Development District. The District is governed by a five-member Board of Supervisors who are elected on an at large basis by qualified electors that reside within the District. The District operates within the criteria established by Chapter 190, Florida Statutes.

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

Based upon the application of the above-mentioned criteria as set forth by the Governmental Accounting Standards Board, the District has identified one component unit. The component unit is SPE-2. SPE-2 did not provide the District with any financial activity for the current year, and therefore, the component unit is not reflected in the financial statements as a stand-alone component unit.

2. Measurement Focus and Basis of Accounting

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

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

Sterling Hill Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

a. Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

Government-wide financial statements report all non-fiduciary information about the reporting government as a whole. These statements include all the governmental activities of the primary government. The effect of interfund activity has been removed from these statements.

Governmental activities are supported by special assessments and interest. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source.

Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

b. Fund Financial Statements

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

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

Sterling Hill Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds

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

The District has various policies governing the fund balance classifications.

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

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

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

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

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

Sterling Hill Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds (Continued)

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

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

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of “available spendable resources”.

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

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

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

Debt service expenditures are recorded only when payment is due.

3. Basis of Presentation

a. Governmental Major Funds

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

Sterling Hill Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Basis of Presentation (Continued)

a. Governmental Major Funds (Continued)

Debt Service Fund – Accounts for debt service requirements to retire certain special assessment revenue bonds which were used to finance the construction of District infrastructure improvements. The bonds are secured by a first lien on and pledge of the special assessment revenues and pledged funds.

b. Non-current Governmental Assets/Liabilities

GASB Statement 34 requires that non-current governmental assets, such as land and improvements, and non-current governmental liabilities, such as general obligation bonds and due to developer be reported in the governmental activities column in the government-wide Statement of Net Position.

4. Assets, Liabilities, and Net Position or Equity

a. Cash and Investments

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

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

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

Sterling Hill Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

b. Restricted Net Position

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

c. Capital Assets

Capital assets, which include land and improvements, infrastructure, and equipment, are reported in the governmental activities column.

The District defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. The valuation basis for all assets is historical cost.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation is computed utilizing the straight-line method over the estimated useful lives of the assets. The estimated useful life for infrastructure is 15-30 years, buildings and improvements is 10-30 years, and 5-10 years for equipment.

**Sterling Hill Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2021**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

f. Budgets

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

NOTE B – CASH AND INVESTMENTS

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

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk; however, they follow the provisions of Chapter 280, Florida Statutes regarding deposits and investments. As of September 30, 2021, the District's bank balance was \$1,697,303 and the carrying value was \$1,654,696. Exposure to custodial credit risk was as follows. The District maintains all deposits in a qualified public depository in accordance with the provisions of Chapter 280, Florida Statutes, which means that all deposits are fully insured by Federal Depositors Insurance or collateralized under Chapter 280, Florida Statutes.

As of September 30, 2021, the District had the following investments and maturities:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Fidelity Government Portfolio	30 days*	<u>\$ 632,025</u>

*Weighted Average Maturity

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

Sterling Hill Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE B – CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk – Deposits (Continued)

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

Based on the criteria in the preceding paragraph, the investment listed above is a Level 1 asset.

Interest Rate Risk

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

Credit Risk

The District's investments are limited by state statutory requirements and bond compliance. The District has no investment policy that would further limit its investment choices. As of September 30, 2021, the District's investment in Fidelity Government Portfolio was rated AAAM by Standard and Poor's.

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one fund. The investments in Fidelity Government Portfolio represent 100% of the District's total investments.

The types of deposits and investments and their level of risk exposure as of September 30, 2021 were typical of these items during the fiscal year then ended. The District considers any decline in fair value for certain investments to be temporary.

Sterling Hill Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE C – CAPITAL ASSETS

Capital Asset activity for the year ended September 30, 2021 was as follows:

	Balance October 1, 2020	Additions	Disposals	Balance September 30, 2021
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 1,500,000	\$ -	\$ -	\$ 1,500,000
Capital assets, being depreciated:				
Infrastructure	22,392,143	-	-	22,392,143
Buildings and improvements	3,059,650	-	-	3,059,650
Equipment	258,063	9,734	-	267,797
Less accumulated depreciation	(16,403,896)	(1,284,050)	-	(17,687,946)
Total capital assets, being depreciated	<u>9,305,960</u>	<u>(1,274,316)</u>	<u>-</u>	<u>8,031,644</u>
Governmental Activities Capital Assets	<u>\$ 10,805,960</u>	<u>\$ (1,274,316)</u>	<u>\$ -</u>	<u>\$ 9,531,644</u>

Depreciation was charged to physical environment, \$300,647, transportation, \$538,821, and culture/recreation, \$444,582.

NOTE D – LONG-TERM DEBT

In October 2003, the District issued \$12,535,000 Series 2003A term bonds and \$26,465,000 Series 2003B Capital Improvement Revenue Bonds maturing on May 1, 2035 and November 1, 2010, respectively, with a fixed interest rate of 6.10% on \$4,765,000 Series 2003A Bonds, a 6.2% fixed interest rate on \$7,770,000 Series 2003A Bonds and 5.50% on the Series 2003B Bonds. These bonds were issued to finance a portion of the cost of acquisition, construction, installation, and equipping of the Series 2003 Project. The balance outstanding on the Series 2003A Bonds at September 30, 2021 was \$8,475,000.

The following is a summary of activity for long-term debt of the District for the year ended September 30, 2021:

Long-term debt at October 1, 2020	\$ 8,850,000
Principal payments	(375,000)
Long-term debt at September 30, 2021	<u>\$ 8,475,000</u>

The Bonds have an additional \$5,155,000 in matured bonds outstanding for past due principal payments on the Series 2003A and Series 2003B Bonds. The District did not make the scheduled debt service principal payment May 1, 2021 for the Series 2003A Bonds.

Sterling Hill Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE D – LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize the principal and interest of bonded debt outstanding as of September 30, 2021 are as follows:

Year Ending September 30,	Principal	Interest	Total
2022	\$ 400,000	\$ 611,340	\$ 1,011,340
2023	940,000	586,940	1,526,940
2024	295,000	442,370	737,370
2025	480,000	424,080	904,080
2026	510,000	394,320	904,320
2027-2031	3,070,000	1,456,690	4,526,690
2032-2035	2,780,000	402,690	3,182,690
Totals	<u>\$ 8,475,000</u>	<u>\$ 4,318,430</u>	<u>\$ 12,793,430</u>

Significant Bond Resolution Terms and Covenants

The District levies special assessments pursuant to Section 190.022, Florida Statutes and the assessment rolls are approved by resolutions of the District Board. The collections are to be strictly accounted for and applied to the debt service of the bond series for which they were levied. The District covenants to levy special assessments in annual amounts adequate to provide for payment of principal and interest on the bonds. Payment of principal and interest is dependent on the money available in the debt service fund and the District's ability to collect special assessments levied.

The Series 2003A Bonds are subject to redemption prior to maturity, in whole on any date, or in part at any time on or after May 1, 2013. The Series 2003A Bonds are subject to extraordinary mandatory redemption prior to their selected maturity date in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture.

The bond indenture provides for Debt Service Reserve Funds, which shall be held by the Trustee separate and apart from all other funds. The following is a schedule of reserve requirements and balances in the reserve accounts at September 30, 2021:

	Reserve Balance	Reserve Requirement
Series 2003A	\$ 147,061	\$ 919,895
Series 2003B	\$ 692	\$ 237,728

Sterling Hill Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE E – SPECIAL ASSESSMENT REVENUES

Assessments are non-ad valorem assessments on benefitted property within the District. Operation and Maintenance Assessments are based upon adopted budget and levied annually. Debt Service Assessments are levied when bonds are issued and collected annually. The District may collect assessments directly or utilize the uniform method of collections (Chapter 197.3632, Florida Statutes). Direct collected assessments are due as determined by an annual assessment resolution adopted by the Board of Supervisors. Per Section 197.162, Florida Statutes discounts are allowed for early payment at the rate of 4% in November, 3% in December, 2% in January, and 1% in February. Taxes paid in March are without discount.

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

NOTE F – RISK MANAGEMENT

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



Berger, Toombs, Elam, Gaines & Frank

Certified Public Accountants PL

600 Citrus Avenue
Suite 200
Fort Pierce, Florida 34950

772/461-6120 // 461-1155
FAX: 772/468-9278

INDEPENDENT AUDITORS' 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
Sterling Hill Community Development District
Hernando County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Sterling Hill Community Development District, as of and for the year ended September 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated March 24, 2022.

Internal Control Over Financial Reporting

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

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

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

Board of Supervisors
Sterling Hill Community Development District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sterling Hill Community Development District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. See pages 30-33

Purpose of this Report

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



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

March 24, 2022



Berger, Toombs, Elam, Gaines & Frank

Certified Public Accountants PL

600 Citrus Avenue
Suite 200
Fort Pierce, Florida 34950

772/461-6120 // 461-1155
FAX: 772/468-9278

To the Board of Supervisors
Sterling Hill Community Development District
Hernando County, Florida

MANAGEMENT LETTER

Report on the Financial Statements

We have audited the financial statements of the Sterling Hill Community Development District as of and for the year ended September 30, 2021, and have issued our report thereon dated March 24, 2022.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and our Independent Auditor's Report on an examination conducted in accordance with AICPA Professionals Standards, AT-C Section 315 regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in that report, which is dated March 24, 2022, should be considered in conjunction with this management letter.

Prior Audit Findings

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

12-03 Failure to Meet Debt Service Reserve Account Requirements

Finding: The Trust Indenture requires the District to maintain a minimum balance in the Series 2003 Debt Service Reserve Accounts. The Reserve Account was utilized to pay debt service in prior years and the reserve account has not been restored.

Recommendation: We recommend that the district use all available remedies to replenish the Reserve Account.

Management Response: The District and the bondholders have been working to alleviate this issue.

Current Status: The Reserve Account is not in compliance with the Trust Indenture as of September 30, 2021.

To the Board of Supervisors
Sterling Hill Community Development District

12-04 Failure to Make Debt Service Payments When Due

Finding: The District did not pay all the required principal due on the Series 2003 Bonds.

Recommendation: We recommend that the District bring the debt service payments current.

Response: SPE-2 has sold the land owned by the SPE. Debt service assessments have been deferred until direction is given by the Trustee.

Current Status: The District did not make all the required debt service payment for the year ended September 30, 2021.

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires us to apply appropriate procedures and communicate the results of our determination as to whether or not Sterling Hill Community Development District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific conditions met. In connection with our audit, we determined that the Sterling Hill Community Development District met one of the conditions described in Section 218.503(1), Florida Statutes. See Finding 12-04 above.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial conditions assessment procedures as of September 30, 2021 for the Sterling Hill Community Development District. It is management's responsibility to monitor the Sterling Hill Community Development District's financial condition; our financial condition assessment was based in part on the representations made by management and the review of the financial information provided by the same.

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.

To the Board of Supervisors
Sterling Hill Community Development District

Specific Information

The information provided below was provided by management and has not been audited; therefore, we do not express an opinion or provide any assurance on the information.

As required by Section 218.39(3)(c) and Section 218.32 (1) (c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the Sterling Hill Community Development District reported:

- 1) The total number of district employees compensated in the last pay period of the District's fiscal year: 0
- 2) The total number of independent contractors to whom nonemployee compensation, defined as individuals or entities that receive 1099s, was paid in the last month of the District's fiscal year: 0
- 3) All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency: N/A
- 4) All compensation earned by or awarded to nonemployee independent contractors, defined as entities or individuals that receive 1099s, whether paid or accrued, regardless of contingency: N/A
- 5) Each construction project with a total cost of at least \$65,000 approved by the District that is scheduled to begin on or after October 1, 2020, together with the total expenditures for such project: The District had no construction projects during the year.
- 6) A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the District amends a final adopted budget under Section 189.016(6), Florida Statutes: There were no amendments to the FY 2021 budget.

As required by Section 218.39(3)(c) and Section 218.32 (1) (c), Florida Statutes, and Section 10.554(1)(i)8, Rules of the Auditor General, the Sterling Hill Community Development District reported:

- 7) The rate or rates of non-ad valorem special assessments imposed by the District: General Fund \$109.48 - \$1,115.69 and Debt Service \$716.29 – \$952.66.
- 8) The amount of special assessments collected by or on behalf of the District: \$2,237,866.
- 9) The total amount of outstanding bonds issued by the District and the terms of such bonds: \$8,475,000 unmatured bonds outstanding, maturing in May 2035.

To the Board of Supervisors
Sterling Hill Community Development District

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 noted the following.

21-01 Failure to Include Component Unit in Financial Statements

Finding: The District did not include the activity of its SPE, SPE-2, in the financial statements as of and for the year ended September 30, 2021.

Recommendation: We recommend that the District obtain the financial activity for the SPE and include it as a discretely presented component unit in the financial statements.

Management Response: The management of The SPE does not believe that it is a component unit of the District and will not provide the information.

Purpose of this Letter

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

*Berger Toombs Elam
Gaines & Frank*

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

March 24, 2022



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

Certified Public Accountants PL

600 Citrus Avenue
Suite 200
Fort Pierce, Florida 34950

772/461-6120 // 461-1155
FAX: 772/468-9278

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

To the Board of Supervisors
Sterling Hill Community Development District
Hernando County, Florida

We have examined Sterling Hill Community Development District's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2021. Management is responsible for Sterling Hill Community Development District's compliance with those requirements. Our responsibility is to express an opinion on Sterling Hill Community Development District's compliance based on our examination.

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

In our opinion, Sterling Hill Community Development District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2021.

*Berger Toombs Elam
Gaines & Frank*

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

March 24, 2022