

# Waterlefe Community Development District

Financial Statements

September 30, 2013

Waterlefe Community Development District  
Table of Contents  
September 30, 2013

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	<u>PAGE</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1 – 2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b> (required supplemental information)	3 – 8
<b>GOVERNMENT-WIDE FINANCIAL STATEMENTS</b>	
Statement of Net Position	9
Statement of Activities	10
<b>FUND FINANCIAL STATEMENTS</b>	
Governmental Fund Financial Statements	
Balance Sheet	11
Reconciliation of the Balance Sheet to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balances	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Proprietary Fund Financial Statements	
Statement of Net Position	15
Statement of Revenues, Expenses and Changes in Net Position	16
Statement of Cash Flows	17 – 18
<b>NOTES TO FINANCIAL STATEMENTS</b>	19 – 32
<b>REQUIRED SUPPLEMENTAL INFORMATION</b> (other than MD&A)	
Budget to Actual Comparison Schedule - General Fund	33
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	34 – 35
Management Letter	36 – 37



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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Supervisors  
Waterlefe Community Development District  
Manatee County, Florida

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We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Waterlefe Community Development District (hereinafter referred to as "District"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Waterlefe Community Development District as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Notes 5 and 8 to the financial statements, the District has \$8.37 million of Golf Course Revenue Bonds, Series 2001 outstanding at September 30, 2013. The indenture relating to those bonds requires the former Developer fund any deficiency in the reserve fund through a debt service deficiency agreement. However, the former Developer has not funded the reserves in accordance with the agreement.

Therefore, the District has been unable to make any debt service payments since the October 2009 payment. The District may elect to make the scheduled debt service payments on the bonds from other funds but elected not to.

In addition, as discussed in Note 8 to the financial statements, the District owes substantial amounts to the former Developer relating to the prior years' operation of the proprietary fund. The balance owed to the former Developer at September 30, 2013, which totals \$11,870,050, includes subsidies to fund debt service on the enterprise fund bonds, interest owed on former Developer loans, and advances provided for the operation of the golf course. The repayment to the former Developer is limited to excess funds generated from the golf course operations only. The ultimate repayment is uncertain at this time.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, 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 28, 2014, on our consideration of the District's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Caru, Riggs & Ingram, L.L.C.*

Miramar Beach, Florida  
March 28, 2014

## Management's Discussion and Analysis

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Waterlefe Community Development District's financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2013. Please read it in conjunction with the District's financial statements, which begin on page 9.

### FINANCIAL HIGHLIGHTS

- At September 30, 2013, the assets of the District exceeded its liabilities by approximately \$7.4 million within the governmental activities.
- During the fiscal ended September 30, 2013, the District incurred capital outlay and interest expenditures of approximately \$93,000 and \$118,000, respectively, and repaid principal of \$120,000 within the governmental activities.
- At September 30, 2013, the liabilities of the District exceeded its assets by approximately \$14.3 million (deficit) within the business-type activities.
- The District has \$8.37 million of Golf Course Revenue Bonds, Series 2001 outstanding at September 30, 2013. The indenture relating to those bonds requires the former Developer fund any deficiency in the reserve fund through a debt service deficiency agreement. However, the former Developer has not funded the reserves in accordance with the agreement. Therefore, the District has been unable to make any debt service payments since the October 2009 payment. The District may elect to make the scheduled debt service payments on the bonds from other funds but elected not to.
- The District owes substantial amounts to the former Developer relating to the prior years' operation of the proprietary fund. The balance owed to the former Developer at September 30, 2013, which totals \$11,870,050, includes subsidies to fund debt service on the enterprise fund bonds, interest owed on former Developer loans, and advances provided for the operation of the golf course. The repayment to the former Developer is limited to excess funds generated from the golf course operations only. The ultimate repayment is uncertain at this time.

### USING THE ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities on pages 9 – 10 provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 11. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

#### ***Reporting the District as a Whole***

Our analysis of the District as a whole begins on page 5. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report

information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and related changes during the current year. You can think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's assessment base and the condition of the District's infrastructure, to assess the overall health of the District.

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

- Governmental activities – Most of the District's basic services are reported here, including general administration, parks and recreation, security, and maintenance. Owner assessments finance most of these activities.
- Business-type activities – The District charges a fee to members and other users to help it cover the costs associated with the operations of the golf course and related facilities.

### ***Reporting the District's Most Significant Funds***

Our analysis of the District's major funds begins on page 6. The fund financial statements begin on page 11 and provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants. The District's two kinds of funds – governmental and proprietary – use different accounting approaches.

- *Governmental funds* – Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities and governmental funds in a reconciliation with the fund financial statements.
- *Proprietary funds* – When the District charges customers for the services it provides (golf course), these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the District's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

## THE DISTRICT AS A WHOLE

The District's combined net position decreased by approximately \$1.2 million. Looking at the net position and net expenses of governmental and business-type activities separately, however, two very different stories emerge.

The following table reflects the condensed Statement of Net Position and is compared to the prior year (in thousands).

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total Primary</u> <u>Government</u>	
	2013	2012	2013	2012	2013	2012
<b>Assets</b>						
Current and other assets	\$ 1,195	\$ 1,285	\$ 773	\$ 817	\$ 1,968	\$ 2,102
Capital assets, net	9,626	9,935	8,075	8,257	17,701	18,192
Total assets	<u>\$ 10,821</u>	<u>\$ 11,220</u>	<u>\$ 8,848</u>	<u>\$ 9,074</u>	<u>\$ 19,669</u>	<u>\$ 20,294</u>
<b>Liabilities</b>						
Current liabilities	\$ 353	\$ 187	\$ 4,873	\$ 3,278	\$ 5,226	\$ 3,465
Other liabilities	3,026	3,159	18,163	19,014	21,189	22,173
Total liabilities	<u>3,379</u>	<u>3,346</u>	<u>23,036</u>	<u>22,292</u>	<u>26,415</u>	<u>25,638</u>
<b>Deferred inflows of resources</b>						
Deferred revenue	-	-	126	138	126	138
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>126</u>	<u>138</u>	<u>126</u>	<u>138</u>
<b>Net position</b>						
Net investment in capital assets	6,598	6,950	(53)	134	6,545	7,084
Restricted for debt service	30	27	-	-	30	27
Unrestricted	814	897	(14,261)	(13,490)	(13,447)	(12,593)
Total net position (deficit)	<u>7,442</u>	<u>7,874</u>	<u>(14,314)</u>	<u>(13,356)</u>	<u>(6,872)</u>	<u>(5,482)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 10,821</u>	<u>\$ 11,220</u>	<u>\$ 8,848</u>	<u>\$ 9,074</u>	<u>\$ 19,669</u>	<u>\$ 20,294</u>

During the fiscal year ended September 30, 2013, the total primary government assets decreased by approximately \$626,000, while liabilities increased by approximately \$777,000. Deferred inflows of resources remained substantially unchanged. A portion of the decrease in assets reflects the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, at the beginning of the year ended September 30, 2013 (see Note 10). The remaining decrease in total assets is primarily a result of depreciation on capital assets. The increase in liabilities is primarily due to the timing of payment for landscape improvements in the governmental activities and the accrual of additional interest on the Golf Course Bonds and amount due to developer in the business type activities. The net position of the District's governmental activities decreased approximately \$271,000. Unrestricted net position – the part of net position used to finance day-to-day operations without constraints established by debt covenants or other legal requirements – decreased to approximately \$813,000 from last year's balance of approximately \$897,000. Net position of the business-type activities decreased by 7.2% (approximately \$14.3 million deficit compared to approximately \$13.4 million deficit). Unrestricted net position for business-type activities changed from a prior year deficit of approximately \$13.5 million to approximately \$14.3 million deficit at September 30, 2013.

For more detailed information, see the accompanying Statement of Net Position.

Combined revenues and expenses did not change significantly from the prior year. Our analysis below separately considers the operations of the governmental activities and business-type activities.

**Governmental Activities**

Revenues did not change significantly from prior year, while expenses increased by approximately \$103,000. The increase in expenses is primarily due to paving repairs and landscape enhancements.

**Business-type Activities**

Revenues decreased by approximately \$71,000 from prior year, while expenses did not change significantly. The decrease in revenues is primarily due to a decrease in overall passport memberships.

The following schedule compares the Statement of Activities for the current and previous fiscal year (in thousands).

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Program revenues	\$ 1,466	\$ 1,455	\$ 2,165	\$ 2,235	\$ 3,631	\$ 3,690
General revenues	7	6	-	1	7	7
Total revenues	<u>1,473</u>	<u>1,461</u>	<u>2,165</u>	<u>2,236</u>	<u>3,638</u>	<u>3,697</u>
Function/program expenses	<u>1,744</u>	<u>1,641</u>	<u>3,123</u>	<u>3,161</u>	<u>4,867</u>	<u>4,802</u>
Increase (decrease) in net position	<u>(271)</u>	<u>(180)</u>	<u>(958)</u>	<u>(925)</u>	<u>(1,229)</u>	<u>(1,105)</u>
Net position (deficit), beginning of year, as previously stated	7,874	8,054	(13,223)	(12,298)	(5,349)	(4,244)
Effect of adoption of GASB No. 65 (See Note 10)	<u>(161)</u>	<u>-</u>	<u>(133)</u>	<u>-</u>	<u>(294)</u>	<u>-</u>
Net position, (deficit), beginning of year, as restated	<u>7,713</u>	<u>8,054</u>	<u>(13,356)</u>	<u>(12,298)</u>	<u>(5,643)</u>	<u>(4,244)</u>
Net position (deficit), end of year	<u>\$ 7,442</u>	<u>\$ 7,874</u>	<u>\$ (14,314)</u>	<u>\$ (13,223)</u>	<u>\$ (6,872)</u>	<u>\$ (5,349)</u>

For more detailed information, see the accompanying Statement of Activities.

**THE DISTRICT'S FUNDS**

**Governmental Funds**

As the District completed the year, its governmental funds (as presented in the balance sheet on page 11) reported a combined fund balance of approximately \$1.03 million, which is a slight decrease from last year's balance that totaled approximately \$1.04 million. Significant transactions are discussed below.

- During the fiscal ended September 30, 2013, the District incurred interest expenditures of approximately \$118,000 and repaid principal of \$120,000 in the Debt Service Fund.
- During the year ended September 30, 2013, the District incurred approximately \$93,000 of capital outlay expenditures in the General Fund.

The overall decrease in fund balance for the year ended September 30, 2013 totaled approximately \$10,000.

### ***Proprietary Fund***

The District's proprietary fund provides the same type of information found in the business-type activities column of the government-wide financial statements, but in more detail. Net position decreased from the prior year, and factors concerning that decrease and other items have already been discussed in a preceding section.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### ***Capital Assets***

At September 30, 2013, the District had approximately \$17.7 million invested in capital assets (net of accumulated depreciation). This amount represents a net decrease of approximately \$491,000 from the fiscal year 2012 total.

A listing of capital assets by major category for the current and prior year follows (in thousands):

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Land	\$ 4,021	\$ 4,021	\$ 4,653	\$ 4,653	\$ 8,674	\$ 8,674
Infrastructure	9,898	9,805	-	-	9,898	9,805
Golf course improvements	15	15	3,534	3,534	3,549	3,549
Buildings	-	-	1,783	1,783	1,783	1,783
Machinery and equipment	36	36	445	419	481	455
Vehicle	-	-	11	11	11	11
	<u>13,970</u>	<u>13,877</u>	<u>10,426</u>	<u>10,400</u>	<u>24,396</u>	<u>24,277</u>
Accumulated depreciation	<u>(4,344)</u>	<u>(3,942)</u>	<u>(2,351)</u>	<u>(2,143)</u>	<u>(6,695)</u>	<u>(6,085)</u>
Totals	<u>\$ 9,626</u>	<u>\$ 9,935</u>	<u>\$ 8,075</u>	<u>\$ 8,257</u>	<u>\$ 17,701</u>	<u>\$ 18,192</u>

More information about the District's capital assets is presented in Note 4 to the financial statements.

### ***Debt***

At September 30, 2013, the District had approximately \$11.6 million of bonds outstanding. This amount represents a decrease of \$120,000 from the fiscal year 2012 total.

A listing of debt amounts outstanding for the current and prior year is as follows (in thousands):

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenue bonds	\$ 3,195	\$ 3,315	\$ 8,370	\$ 8,370	\$ 11,565	\$ 11,685
Totals	\$ 3,195	\$ 3,315	\$ 8,370	\$ 8,370	\$ 11,565	\$ 11,685

More information about the District's long-term debt is presented in Note 5 to the financial statements.

### **GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS**

An Operating budget was established by the governing board for the District pursuant to the requirements of Florida Statutes. The budget to actual comparison for the General Fund, including the original budget and final adopted budget, is shown on page 33.

The District experienced an unfavorable variance in revenues as compared to the budget in the amount of \$34,395. The variance in revenues is primarily due to a portion of the MPOA Amenity Services assessments being deemed uncollectible and allowed for.

### **FUTURE FINANCIAL FACTORS**

Waterlefe Community Development District is an independent special district that operates under the provisions of Chapter 190, Florida Statutes. The District operates under an elected Board of Supervisors, which establishes policy and sets assessment rates. Assessment rates for fiscal year 2014 were established to provide for the operations of the District as well as the necessary debt service requirements.

The former Developer of the Waterlefe project is WCI Communities, Inc. During 2008, the former Developer filed for Chapter 11 bankruptcy protection, and on September 3, 2009, it emerged from bankruptcy protection as a newly reorganized private company. This new organization is not currently funding shortages in the golf course fund for operations and debt service payments. It is unknown at this time what ultimate effect, if any, this will have on the District.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances. If you have questions about this report or need additional financial information, contact the Waterlefe Community Development District's finance department at 3434 Colwell Avenue, Suite 200, Tampa, Florida 33614.

# Basic Financial Statements

# Waterlefe Community Development District

## Statement of Net Position

September 30,

	<b>2013</b>		
	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 955,312	\$ 182,058	\$ 1,137,370
Investments	225,658	-	225,658
Accounts receivable, net	-	111,475	111,475
Due from business-type activities	7,221	-	7,221
Inventories	-	114,967	114,967
Prepaid expenses and deposits	6,191	43,082	49,273
Restricted assets:			
Cash and cash equivalents	-	321,116	321,116
Capital assets:			
Not being depreciated	4,020,707	4,652,792	8,673,499
Depreciable, net	5,605,698	3,422,757	9,028,455
<b>Total assets</b>	<b>10,820,787</b>	<b>8,848,247</b>	<b>19,669,034</b>
<b>Liabilities</b>			
Accounts payable	160,975	115,849	276,824
Due to governmental activities	-	7,221	7,221
Accrued interest payable	57,137	2,720,248	2,777,385
Non-current liabilities:			
Due to developer	-	11,870,050	11,870,050
Bonds payable - due within one year	135,000	1,440,000	1,575,000
Capital lease obligation - due within one year	-	13,543	13,543
Bonds payable - due in more than one year	3,025,915	6,869,095	9,895,010
<b>Total liabilities</b>	<b>3,379,027</b>	<b>23,036,006</b>	<b>26,415,033</b>
<b>Deferred inflows of resources</b>			
Deferred revenue	-	125,805	125,805
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>125,805</b>	<b>125,805</b>
<b>Net position</b>			
Net investment in capital assets	6,597,615	(52,367)	6,545,248
Restricted for debt service	30,279	-	30,279
Unrestricted	813,866	(14,261,197)	(13,447,331)
<b>Total net position (deficit)</b>	<b>\$ 7,441,760</b>	<b>\$(14,313,564)</b>	<b>\$ (6,871,804)</b>

See accompanying notes to financial statements.

Waterlefe Community Development District

Statement of Activities

Year ended September 30,

2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ (312,530)	\$ 326,675	\$ -	\$ -	\$ 14,145	\$ -	\$ 14,145
Maintenance and operations	(1,239,084)	875,251	-	-	(363,833)	-	(363,833)
Bad debt provision	(51,500)	-	-	-	(51,500)	-	(51,500)
Interest	(140,969)	264,252	-	-	123,283	-	123,283
<b>Total governmental activities</b>	<b>(1,744,083)</b>	<b>1,466,178</b>	<b>-</b>	<b>-</b>	<b>(277,905)</b>	<b>-</b>	<b>(277,905)</b>
Business-type activities:							
Golf course	(1,136,588)	1,750,847	-	-	-	614,259	614,259
Restaurant	(260,139)	236,867	-	-	-	(23,272)	(23,272)
Pro Shop	(541,904)	177,624	-	-	-	(364,280)	(364,280)
Administrative and other	(434,137)	-	-	-	-	(434,137)	(434,137)
Interest	(750,641)	-	-	-	-	(750,641)	(750,641)
<b>Total business-type activities</b>	<b>(3,123,409)</b>	<b>2,165,338</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(958,071)</b>	<b>(958,071)</b>
<b>Total primary government</b>	<b>\$ (4,867,492)</b>	<b>\$ 3,631,516</b>	<b>\$ -</b>	<b>\$ -</b>			
<b>General revenues</b>							
Interest and other revenues					6,874	387	7,261
<b>Total general revenues</b>					<b>6,874</b>	<b>387</b>	<b>7,261</b>
Change in net position					(271,031)	(957,684)	(1,228,715)
Net position (deficit) - beginning of year, previously stated					7,874,194	(13,223,166)	(5,348,972)
Effect of adoption of GASB No. 65 (See Note 10)					(161,403)	(132,714)	(294,117)
Net position (deficit) - beginning of year, as restated					7,712,791	(13,355,880)	(5,643,089)
<b>Net position (deficit) - end of year</b>					<b>\$ 7,441,760</b>	<b>\$(14,313,564)</b>	<b>\$ (6,871,804)</b>

See accompanying notes to financial statements.

Waterlefe Community Development District

Balance Sheet - Governmental Funds

September 30,

2013

	General	Debt Service	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 955,312	\$ -	\$ 955,312
Investments	6,117	219,541	225,658
Prepaid expenditures	6,191	-	6,191
Due from enterprise fund	7,221	-	7,221
<b>Total assets</b>	<b>\$ 974,841</b>	<b>\$ 219,541</b>	<b>\$ 1,194,382</b>
<b>Liabilities and Fund Balances</b>			
Liabilities			
Accounts payable	\$ 160,975	\$ -	\$ 160,975
<b>Total liabilities</b>	<b>160,975</b>	<b>-</b>	<b>160,975</b>
Fund balances			
Nonspendable	6,191	-	6,191
Restricted for debt service	-	219,541	219,541
Assigned for capital reserves	421,010	-	421,010
Unassigned	386,665	-	386,665
<b>Total fund balances</b>	<b>813,866</b>	<b>219,541</b>	<b>1,033,407</b>
<b>Total liabilities and fund balances</b>	<b>\$ 974,841</b>	<b>\$ 219,541</b>	<b>\$ 1,194,382</b>

See accompanying notes to financial statements.

Waterlefe Community Development District

Reconciliation of the Balance Sheet to the Statement of Net Position

<i>September 30,</i>	<b>2013</b>
Total fund balances, governmental funds	\$ 1,033,407
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund level financial statements.	9,626,405
Liabilities not due and payable from current resources, including accrued interest, are not reported in the fund level financial statements.	(3,218,052)
Total net position - governmental activities	\$ 7,441,760

See accompanying notes to financial statements.

Waterlefe Community Development District

Statement of Revenues, Expenditures and Changes in Fund Balances-  
Governmental Funds

<i>Year ended September 30,</i>	<b>2013</b>		
	<b>General</b>	<b>Debt Service</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
Assessments	\$ 1,201,926	\$ 264,252	\$ 1,466,178
Interest and other revenues	6,874	-	6,874
<b>Total revenues</b>	<b>1,208,800</b>	<b>264,252</b>	<b>1,473,052</b>
<b>Expenditures</b>			
Current:			
General government	312,530	-	312,530
Maintenance and operations	837,352	-	837,352
Debt service:			
Principal	-	120,000	120,000
Interest	-	117,926	117,926
Trustee fees	-	2,333	2,333
Capital outlay	92,993	-	92,993
<b>Total expenditures</b>	<b>1,242,875</b>	<b>240,259</b>	<b>1,483,134</b>
Net change in fund balances	(34,075)	23,993	(10,082)
Fund balances, beginning of year	847,941	195,548	1,043,489
Fund balances, end of year	\$ 813,866	\$ 219,541	\$ 1,033,407

See accompanying notes to financial statements.

## Waterlefe Community Development District

### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

<i>Year ended September 30,</i>	<b>2013</b>
Net change in fund balances - governmental funds	\$ (10,082)
Capital outlay, reported as expenditures in the governmental funds, is shown as capital assets on the Statement of Net Position.	92,993
Governmental funds report principal payments on bonds when debt is paid, whereas these payments are eliminated in the Statement of Activities and recognized as a decrease in bonds payable in the Statement of Net Position.	120,000
Certain transactions related to the issuance of bonds in the prior year were included in prepaid expenses on the fund level statements. These transactions have been recognized as expenses in the fund level financial statements, where as these transactions were previously included in deferred charges and written off due to the implementation of GASB 65.	2,333
Depreciation on capital assets is not recognized in the fund financial statements but is reported as an expense in the Statement of Activities	(401,732)
Amortization of the original issue discount is not recognized in the governmental fund statements but is reported as an expense in the Statement of Activities.	(1,938)
Assessment revenues not available as current financial resources were deferred on the fund financial statements but were recognized as revenue in the Statement of Activities in the prior year. The collection of these revenues is doubtful and an allowance has been established. A bad debt provision has been recognized on the Statement of Activities for the revenues recognized in the prior year.	(51,500)
The change in accrued interest between the current and prior year is recorded in the Statement of Activities but not in the fund financial statements.	(21,105)
Change in net position of governmental activities	\$ (271,031)

See accompanying notes to financial statements.

Waterlefe Community Development District

Statement of Net Position - Proprietary Fund

<i>September 30,</i>	<b>2013</b>
	<b>Enterprise Fund</b>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 182,058
Accounts receivable	111,475
Inventories	114,967
Prepaid expenses and deposits	43,082
Total current assets	451,582
Restricted assets:	
Cash and cash equivalents	321,116
Total restricted assets	321,116
Capital assets, net	8,075,549
Total assets	\$ 8,848,247
<b>Liabilities and Net Position</b>	
<b>Liabilities</b>	
Current Liabilities:	
Accounts payable	\$ 115,849
Due to general fund	7,221
Accrued interest payable	2,720,248
Capital lease obligation, current	13,543
Bonds payable, current	1,440,000
Total current liabilities	4,296,861
Non-current liabilities:	
Due to developer	11,870,050
Bonds payable, less current portion	6,869,095
Total liabilities	23,036,006
<b>Deferred inflows of resources</b>	
Deferred revenue	125,805
Total deferred inflows of resources	125,805
<b>Net position</b>	
Net investment in capital assets	(52,367)
Unrestricted	(14,261,197)
Total net position (deficit)	(14,313,564)
Total liabilities, deferred inflows of resources, and net position	\$ 8,848,247

See accompanying notes to financial statements.

Waterlefe Community Development District

Statement of Revenues, Expenses and Changes in Net Position -  
Proprietary Fund

<i>Year ended September 30,</i>	<b>2013</b>
	<b>Enterprise Fund</b>
<b>Revenues</b>	
Charges for services:	
Golf course	\$ 1,750,847
Restaurant	236,867
Pro shop	177,624
Total revenues	2,165,338
<b>Operating expenses</b>	
Golf course	924,345
Restaurant	260,139
Pro shop	541,904
Administrative and other	434,137
Depreciation and amortization	212,243
Total operating expenses	2,372,768
Operating income (loss)	(207,430)
<b>Non-operating revenues (expenses)</b>	
Interest revenue	387
Interest expense	(750,641)
Total non-operating revenues (expenses)	(750,254)
Net income (loss)	(957,684)
Net position (deficit), beginning of year, previously stated	(13,223,166)
Effect of adoption of GASB No. 65 (See Note 10)	(132,714)
Net position (deficit) - beginning of year, as restated	(13,355,880)
Net position (deficit), end of year	\$ (14,313,564)

See accompanying notes to financial statements.

Waterlefe Community Development District  
Statement of Cash Flows - Proprietary Fund

<i>Year ended September 30,</i>	<b>2013</b>
	<b>Enterprise Fund</b>
<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 2,158,102
Payments to suppliers	(2,160,389)
Net cash used by operating activities	(2,287)
<b>Cash flows from capital and related financing activities</b>	
Acquisition of capital assets	(25,603)
Interest paid on capital lease	(1,975)
Principal payments on capital lease	(15,627)
Net cash used by capital and related financing activities	(43,205)
<b>Cash flows from investing activities</b>	
Interest revenue	387
Net cash provided by investing activities	387
Net increase (decrease) in cash and cash equivalents	(45,105)
Cash and cash equivalents, beginning of year	548,279
Cash and cash equivalents, end of year	\$ 503,174
Cash and cash equivalents	\$ 182,058
Restricted cash and cash equivalents	321,116
Total cash and cash equivalents	\$ 503,174

(continued)

See accompanying notes to financial statements.

Waterlefe Community Development District

Statement of Cash Flows - Proprietary Fund (Continued)

<i>Year ended September 30,</i>	<b>2013</b>
	<b>Enterprise Fund</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ (207,430)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	212,243
Change in operating assets and liabilities:	
Accounts receivable	5,337
Inventories	(2,807)
Prepaid expenses and deposits	(3,518)
Accounts payable	11,561
Due to general fund	(5,100)
Deferred revenue	(12,573)
<b>Net cash used by operating activities</b>	<b>\$ (2,287)</b>

See accompanying notes to financial statements.

**NOTE 1 – NATURE OF ORGANIZATION**

The Waterlefe Community Development District (the “District”) was established on October 24, 2000 pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes, by Manatee County Ordinance 00-55. The Act provides, among other things, the power to manage basic services for community development, power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of a portion of the infrastructure necessary for community development within the District.

The District is governed by a Board of Supervisors (“Board”), which is comprised of five members. The Supervisors are elected on an at large basis by qualified electors that reside within the District. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has the final responsibility for:

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

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth by Generally Accepted Accounting Principles (GAAP) as defined by the Governmental Accounting Standards Board (GASB) in statements No. 14 and 61. Based on the foregoing criteria, no potential component units were found.

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

The accounting policies of the District conform to GAAP as applicable to governments in accordance with those promulgated by GASB. The following is a summary of the more significant policies:

***Government-wide and Fund Financial Statements***

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

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by non-ad-valorem assessments, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

The business-type activities are reported separately in government-wide financial statements. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Assessments and other items not properly included as program revenues are reported as general revenues.

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

***Measurement Focus, Basis of Accounting and Basis of 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 the related cash flows. Assessments are recognized as revenues in the year for which they are levied. Grants and other similar items are to be recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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. However, debt service expenditures are recorded only when payment is due.

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

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

Assessments and accounts receivable are recorded net of any provision for bad debt and allowance for doubtful accounts, respectively. The District provides for doubtful accounts based on experience and analysis of individual accounts. When the collectability of specific accounts

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

becomes questionable, an allowance for doubtful accounts is established. At September 30, 2013, the allowance for doubtful accounts totaled \$85,895.

The District reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in other funds.

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

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 funds are charges to customers for golf, golf merchandise, and restaurant operations. Operating expenses for enterprise funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Proprietary funds include the following fund types:

Golf Course Fund – The Golf Course Fund is used to account for the operations that provide recreational facilities within the District. Receipts are restricted by the bond indenture and may only be used for costs associated with the operation of the golf course and for debt service on the bonds.

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

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use in the governmental fund financial statements, it is the government's policy to use committed resources first, followed by assigned resources, and then unassigned resources as needed.

***Cash, Deposits and Investments***

The District maintains deposits with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. All Qualified Public Depositories must place with the Treasurer of the State of Florida securities in accordance with the collateral requirements determined by the State's Chief Financial Officer. In the event of default by a Qualified Public Depository, the State Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories.

# Waterlefe Community Development District

## Notes to Financial Statements

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Under this method, all the District's deposits are fully insured or collateralized at the highest level of security as defined by GASB Statement Number 40, *Deposits and Investment Disclosures (An Amendment of GASB Statement Number 3)*.

The District is authorized to invest in financial instruments as established by Section 218.415, Florida Statutes. The authorized investments include among others negotiable direct or indirect obligations which are secured by the United States Government; the Local Government Surplus Funds Trust as created by Section 218.405, Florida Statutes; SEC registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and interest-bearing time deposits or savings accounts in authorized financial institutions.

#### **Capital Assets**

In the government-wide financial statements, capital assets, which include primarily land and infrastructure assets (e.g., roads, sidewalks, water management systems and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District 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 and estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value at the date of donation. Proprietary fund capital assets are capitalized and depreciated over the useful lives of the assets. The District's proprietary fund capital assets include buildings and infrastructure for the golf course and recreational facilities.

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

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

<u>Asset</u>	<u>Years</u>
Infrastructure - roadways, parks, courts, fields	25
Buildings	40
Golf course improvements	30 - 35
Furniture, fixtures and equipment	3 - 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.

#### **Inventories**

Inventories in the proprietary fund consist primarily of golf equipment, apparel and accessories located in the golf pro shop. The District values its inventories at the lower of cost or market on a first-in, first-out basis.

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

***Long-Term Obligations***

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective-interest or straight-line method. Bonds payable are reported net of premiums or discounts. Issuance costs whether or not withheld from the actual proceeds received, are reported as current period expenses.

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

***Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***Deferred Outflows/Inflows of Resources***

In addition to assets, the Statement of Net Position will sometimes include 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 of this type of item at September 30, 2013.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

***Fund Equity***

Net position in the government-wide financial statements represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents assets related to infrastructure and property, plant and equipment, net of any related debt. Restricted net position represents the net position restricted by the District's bond covenants.

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

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the District board through approval of resolutions. Assigned fund balances is a limitation imposed by a designee of the District board. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes.

***Budgets***

The District is required to establish a budgetary system and an approved annual budget. Annual budgets are legally adopted on a basis consistent with GAAP for the General Fund. Any revision to the budget must be approved by the District Board. The budgets are compared to actual expenditures. In instances where budget appropriations and estimated revenues have been revised during the year, budget data presented in the financial statements represent final authorization amounts.

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

- A. Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- B. A public hearing is conducted to obtain comments prior to adoption.
- C. Prior to October 1, the budget is legally adopted by the District Board.
- D. All budget changes must be approved by the District Board.
- E. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

**NOTE 3 – INVESTMENTS**

All investments held at September 30, 2013 are reported at fair value. Values for most of the District's investments are based on quoted market prices or amounts determined by the issuer. The SBA Investment Pool Fund B is accounted for as a fluctuating NAV pool. Fair value is based on the District's account balance and a fair value factor provided by the State Board of Administration of Florida.

The following is a summary of the District's investments:

<i>September 30,</i>	<b>2013</b>	<b>Credit Risk</b>	<b>Maturities</b>
State Board of Administration Investment Florida PRIME	\$ 4,868	S&P AAAm	44 days
State Board of Administration Investment Pool Fund B	1,249	not rated	4.04 years
Short-term Money Market Funds	<b>219,541</b>	S&P AAAm	48 days
<b>Total investments</b>	<b>\$ 225,658</b>		

# Waterlefe Community Development District

## Notes to Financial Statements

### NOTE 3 – INVESTMENTS (CONTINUED)

*Concentration risk* – The District’s investment policy requires diversification, but does not specify limits on types of investments.

*Custodial credit risk* – For an investment, custodial credit risk is the risk that the District will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The District has no formal policy for custodial risk. At September 30, 2013, none of the investments listed above are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

*Interest rate risk* – The District does not have a formal policy for addressing interest rate risk; however, investments are made with discretion, to seek reasonable returns, preserve capital, and, in general, avoid speculative investments. The District manages its exposure to declines in fair values from interest rate changes by reviewing the portfolio on an ongoing basis for changes in effective yield amounts.

### NOTE 4 – CAPITAL ASSETS

The following is a summary of changes in the capital assets for the year ended September 30, 2013:

	Beginning Balance	Additions	Disposals	Ending Balance
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 4,020,707	\$ -	\$ -	\$ 4,020,707
<b>Total capital assets not being depreciated</b>	<b>4,020,707</b>	<b>-</b>	<b>-</b>	<b>4,020,707</b>
<i>Capital assets being depreciated:</i>				
Infrastructure	9,805,461	92,993	-	9,898,454
Golf course improvements	14,812	-	-	14,812
Equipment	36,596	-	-	36,596
<b>Total capital assets being depreciated</b>	<b>9,856,869</b>	<b>92,993</b>	<b>-</b>	<b>9,949,862</b>
<i>Less accumulated depreciation for:</i>				
Infrastructure	(3,922,997)	(396,630)	-	(4,319,627)
Golf course improvements	(1,087)	(593)	-	(1,680)
Equipment	(18,348)	(4,509)	-	(22,857)
<b>Total accumulated depreciation</b>	<b>(3,942,432)</b>	<b>(401,732)</b>	<b>-</b>	<b>(4,344,164)</b>
<b>Total capital assets being depreciated, net</b>	<b>5,914,437</b>	<b>(308,739)</b>	<b>-</b>	<b>5,605,698</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 9,935,144</b>	<b>\$ (308,739)</b>	<b>\$ -</b>	<b>\$ 9,626,405</b>

Depreciation expense relating to governmental activities of \$401,732 was allocated to maintenance and operations on the Statement of Activities.

Waterlefe Community Development District

Notes to Financial Statements

**NOTE 4 – CAPITAL ASSETS (CONTINUED)**

	Beginning Balance	Additions	Disposals	Ending Balance
<b>Business-type Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 4,652,792	\$ -	\$ -	\$ 4,652,792
Total capital assets not being depreciated	4,652,792	-	-	4,652,792
<i>Capital assets being depreciated:</i>				
Golf course improvements	3,533,796	-	-	3,533,796
Buildings	1,782,857	-	-	1,782,857
Furniture, fixtures and equipment	420,132	25,603	-	445,735
Vehicle	10,500	-	-	10,500
Total capital assets being depreciated	5,747,285	25,603	-	5,772,888
<i>Less accumulated depreciation for:</i>				
Golf course improvements	(1,321,399)	(103,935)	-	(1,425,334)
Buildings	(503,235)	(52,437)	-	(555,672)
Furniture, fixtures and equipment	(315,486)	(48,170)	-	(363,656)
Vehicle	(2,844)	(2,625)	-	(5,469)
Total accumulated depreciation	(2,142,964)	(207,167)	-	(2,350,131)
Total capital assets being depreciated, net	3,604,321	(181,564)	-	3,422,757
<b>Business-type activities capital assets, net</b>	<b>\$ 8,257,113</b>	<b>\$ (181,564)</b>	<b>\$ -</b>	<b>\$ 8,075,549</b>

Depreciation expense relating to business-type activities of \$207,167 was allocated to golf course operations on the Statement of Activities.

**NOTE 5 – LONG TERM LIABILITIES**

**Capital Improvement Revenue Refunding Bonds, Series 2012** – On June 20, 2012, the District issued \$3,315,000 of Capital Improvement Revenue Refunding Bonds, Series 2012; with interest rates from 2.20% to 4.875%. The Bonds were issued to refund and redeem the entire outstanding principal amount of the Districts Capital Improvement Revenue Bonds, Series 2001A. Interest is paid semiannually on each May 1 and November 1. Principal payments on the Series 2012 Bonds are made serially commencing on May 1, 2013 through May 1, 2031.

The bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Registrar if certain events occur as outlined in the Bond Indenture. The bonds are subject to redemption at the option of the District, in whole or in part at any time on or after May 1, 2023 at a redemption price of the principal amount being redeemed together with accrued interest to the date of redemption and without premium.

Waterlefe Community Development District

Notes to Financial Statements

**NOTE 5 – LONG TERM LIABILITIES (CONTINUED)**

Long-term liability activity for the year ended September 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due In One Year
<i>Governmental Activities</i>					
Bonds Payable:					
Series 2012	\$ 3,315,000	\$ -	\$ (120,000)	\$ 3,195,000	\$ 135,000
	\$ 3,315,000	\$ -	\$ (120,000)	\$ 3,195,000	\$ 135,000

The balance of the Series 2012 Bonds at September 30, 2013 is summarized as follows:

	<b>2013</b>
Bond principal balance	\$ 3,195,000
Less unamortized bond discount	(34,085)
Net balance, Series 2012 Bonds	\$ 3,160,915

At September 30, 2013, the scheduled debt service requirements on long-term debt were as follows:

<b>Year Ending September 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2014	\$ 135,000	\$ 136,884	\$ 271,884
2015	130,000	133,390	263,390
2016	130,000	129,750	259,750
2017	140,000	125,850	265,850
2018	145,000	121,300	266,300
2019 - 2023	795,000	520,013	1,315,013
2024 - 2028	1,000,000	325,175	1,325,175
2029 - 2031	720,000	71,175	791,175
	\$ 3,195,000	\$ 1,563,537	\$ 4,758,537

The Bond Indenture has certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agreed to levy special assessments in annual amounts adequate to provide payment of debt service. The District is in compliance with the requirements of the Bond Indenture.

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirement as defined in the Indenture. The requirement has been met for the fiscal year ended September 30, 2013.

Waterlefe Community Development District

Notes to Financial Statements

**NOTE 5 – LONG TERM LIABILITIES (CONTINUED)**

**Recreational Revenue Bonds, Series 2001** – On March 27, 2001, the District issued \$9,500,000 in Golf Course Revenue Bonds, Series 2001, with a fixed interest rate of 8.125%. The Bonds were issued to finance the acquisition of the recreational facilities of the District. Interest is paid semiannually on each April 1 and October 1. Principal payments on the Series 2001 Bond are made serially commencing on October 1, 2003 through October 1, 2025.

Long-term liability activity for the year ended September 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due In One Year
<i>Business-type activities</i>					
Bonds Payable:					
Series 2001	\$ 8,370,000	\$ -	\$ -	\$ 8,370,000	\$ 1,440,000
Capital lease obligations	29,170	-	(15,627)	13,543	13,543
	<u>\$ 8,399,170</u>	<u>\$ -</u>	<u>\$ (15,627)</u>	<u>\$ 8,383,543</u>	<u>\$ 1,453,543</u>

The balance of the Series 2001 Bonds at September 30, 2013 is summarized as follows:

	<b>2013</b>
Bond principal balance	\$ 8,370,000
Less unamortized bond discount	(60,905)
Net balance, Series 2001 Bonds	<u>\$ 8,309,095</u>

At September 30, 2013, the scheduled debt service requirements on long-term debt were as follows:

<b>Year Ending September 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2014	\$ 1,440,000	\$ 3,283,313	\$ 4,723,313
2015	365,000	548,235	913,235
2016	390,000	517,563	907,563
2017	425,000	484,453	909,453
2018	460,000	448,500	908,500
2019 - 2023	2,910,000	1,594,531	4,504,531
2023 - 2026	2,380,000	299,813	2,679,813
	<u>\$ 8,370,000</u>	<u>\$ 7,176,408</u>	<u>\$ 15,546,408</u>

The bonds may, at the option of the District, be called for redemption as a whole or in part on any interest payment date on or after October 1, 2010 at a redemption price as set forth in the Bond Indenture. The bonds are also subject to extraordinary mandatory redemption prior to their selected maturity in the manner determined by the bond registrar if certain events occurred as outlined in the Bond Indenture.

**NOTE 5 – LONG TERM LIABILITIES (CONTINUED)**

The Bond Indenture has certain restrictions and requirements relating principally to the procedures to be followed in the collection of pledged revenues and the application of the revenues to the various restricted accounts.

The bonds are secured by the pledged revenue as defined in the master trust indenture. The pledged revenue for the repayment of interest and principal is limited to the revenue from the operations of the golf course. The Bond Indenture also requires that the former Developer fund any deficiency in the reserve fund through a debt service deficiency agreement. However, the former Developer has not funded the reserves in accordance with the agreement. Therefore, the District has been unable to make any debt service payments since the October 2009 payment. The District may elect to make the scheduled debt service payments on the bonds from other funds but elected not to (see Note 8).

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirement as defined in the Indenture. The requirement has not been met for the fiscal year ended September 30, 2013. The District utilized reserve funds to make the October 2009 interest payment. The reserve funds have not been replenished as of the date of this report.

Because of the uncertainty in future cash flows from the project, and the relatively small balance in the debt reserve fund, the District and bond trustee do not expect to make any further payments on the Bonds from the debt reserve fund. This significant event as defined in the Continuing Disclosure agreement has been communicated to the dissemination agent and bondholders.

**NOTE 6 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District maintains commercial insurance coverage to mitigate the risks of loss. Coverage may not extend to all situations. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. The District has filed two claims totaling approximately \$13,000 against this commercial coverage during the last three years.

**NOTE 7 – MANAGEMENT COMPANY**

The District has contracted with a management company to perform management advisory services, which include financial and accounting advisory services. Certain employees of the management company also serve as officers (Board appointed non-voting positions) of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, and other administrative costs.

# Waterlefe Community Development District

## Notes to Financial Statements

### NOTE 8 – TRANSACTIONS WITH THE FORMER DEVELOPER

The former Developer of the Waterlefe project is WCI Communities, Inc. During 2008, the former Developer filed for Chapter 11 bankruptcy protection, and on September 3, 2009, it emerged from bankruptcy protection as a newly reorganized private company.

As discussed in Note 5 to the financial statements, the District is dependent on the former Developer to fund shortages in the golf course fund for operations and required debt service payments. This new organization is not currently funding shortages in the golf course fund for operations and debt service payments. It is unknown at this time what ultimate effect, if any, this will have on the District.

The following is a summary of the amounts advanced by and owed to the former Developer in the Golf Course fund as of September 30, 2013:

	<b>2013</b>
Surplus golf revenue note	\$ 2,365,230
Developer advances for operations	8,084,740
Debt service reserve fund deficiency note and accrued interest	1,420,080
	<b>\$ 11,870,050</b>

The former Developer operated the golf course and invoiced the District for expenses incurred in running the course through October 2008. Subsequent to October 2008, the District contracted to have all golf course operations performed by a third-party provider. At September 30, 2013, the District owed the former Developer \$8,084,740 for advances to operate the golf course in previous years.

At September 30, 2013, the District has an outstanding Surplus Golf Revenue Note in the amount of \$2,365,230. The note is owned by the former Developer, carries an interest rate of 8.52%, interest is payable semi-annually on April 15 and October 15, and matures April 1, 2031. Principal and interest under this note are only payable when the District releases amounts from the surplus fund established under the Golf Course Revenue Bond Indenture. It is not anticipated that any interest charges or any principal repayments under the surplus golf revenue note are likely to occur in the near future. No interest has been accrued on this note. The note is a limited obligation of the District secured solely by amounts, when, and if withdrawn by the District from the surplus fund. The note is not an obligation of Manatee County, the State of Florida or any other political subdivision or public body of the State of Florida, within the meaning of any Florida Statute or the Florida Constitution.

At September 30, 2013, the District has an outstanding amount due to the former Developer under the Debt Service Reserve Fund Deficiency Agreement totaling \$844,067. The note is owned by the former Developer and carries an interest rate of 8.125%. Accrued interest related to this note totaled \$576,013, at September 30, 2013. The principal and interest are a continuous obligation of the District but are limited in that reimbursements are only to be made from available monies in the golf course fund. The reimbursement obligation is subordinate to the District's obligations under the bond indenture to make timely payment of principal, redemption premium if any, and interest on the 2001 Golf Course Revenue Bonds or any obligation which is secured by gross revenues.

# Waterlefe Community Development District

## Notes to Financial Statements

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### NOTE 8 – TRANSACTIONS WITH THE FORMER DEVELOPER (CONTINUED)

It is not anticipated that any interest charges or principal repayments under this note are likely to occur in the near future. The note is not an obligation of Manatee County, the State of Florida or any other political subdivision or public body of the State of Florida, within the meaning of any Florida Statute or the Florida Constitution.

Included in the golf course purchase agreement is a clause granting the former Developer a right of repurchase commencing on March 21, 2006 and lasting for a period of five years or for as long as the District is indebted to the former Developer under the line of credit and/or the surplus golf revenue note. The price under the purchase agreement is the greater of the fair market value of the golf course and supporting clubhouse, pro shop, and maintenance facilities or the outstanding principal of the golf course revenue bonds plus three percent of the principal plus any other outstanding debt of the golf course. The above amounts are not necessarily indicative of the amounts that would have been earned, received, incurred or paid had a comparable transaction been entered into with independent parties.

The amount advanced by and owed to the former developer, other than accrued interest, did not change during the fiscal year ending September 30, 2013. The only sources of funds for repayment of this liability are either from excess funds generated by the golf course above the required debt service payments or by sale of the land for an amount in excess of the bond debt obligations. The ultimate repayment of the above amounts is uncertain at this time.

### NOTE 9 – OPERATING LEASE OBLIGATIONS

The District has entered into various operating leases for golf equipment. Lease expenditures for golf equipment for the year ended September 30, 2013 totaled \$187,624. Future minimum lease payments for these leases are as follows:

<i>Year Ending September 30,</i>	<i>Lease Payment</i>
2014	\$ 216,423
2015	143,913
2016	64,734
2017	24,988
Total lease payments	\$ 450,058

### NOTE 10 – CHANGE IN ACCOUNTING PRINCIPLES

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement established standards for reporting deferred outflows of resources, deferred inflows of resources, and net position and creates a new format for the statement of net position that requires deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities.

**NOTE 10 – CHANGE IN ACCOUNTING PRINCIPLES (CONTINUED)**

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement improves financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

The District made the decision to implement these standards effective October 1, 2012.

As a result of implementation, government and business-type activities net position at the beginning of the year ended September 30, 2013 has been restated. GASBS No. 65 requires, among other things, that bond issue costs be shown as current-period outflows of resources (expenses) and not capitalized. Accordingly, prior year deferred charges have been removed from the current year financial statements. The restatement resulted in a decrease in the beginning net position of \$161,403 and \$132,714 for governmental activities and business-type activities, respectively.

Required Supplemental Information  
(Other than MD&A)

Waterlefe Community Development District

Budget to Actual Comparison Schedule - General Fund

<i>Year ended September 30,</i>	<b>2013</b>			<b>Variance</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>with Final Budget</b>
<b>Revenues</b>				
Assessments	\$ 1,220,480	\$ 1,236,321	\$ 1,201,926	\$ (34,395)
Interest and other revenues	1,750	6,874	6,874	-
<b>Total revenues</b>	<b>1,222,230</b>	<b>1,243,195</b>	<b>1,208,800</b>	<b>(34,395)</b>
<b>Expenditures</b>				
General government	290,230	312,530	312,530	-
Maintenance and operations	932,000	865,926	837,352	28,574
Capital outlay	-	64,419	92,993	(28,574)
<b>Total expenditures</b>	<b>1,222,230</b>	<b>1,242,875</b>	<b>1,242,875</b>	<b>-</b>
<b>Excess (deficit) of revenues over expenditures</b>	<b>\$ -</b>	<b>\$ 320</b>	<b>\$ (34,075)</b>	<b>\$ (34,395)</b>

**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  
Waterlefe Community Development District  
Manatee County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, and each major fund of Waterlefe Community Development District (hereinafter referred to as the "District"), as of and for the year ended September 30, 2013 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report dated March 28, 2014.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and which is described below:

- IC2010-01: The District is not in compliance with certain provisions of its Golf Course Revenue Bond indenture including those relating to 1) collecting amounts to provide payment of debt service, 2) maintaining adequate funds in debt service reserve accounts, and 3) making its semi-annual debt service principal and interest payments.

The District's response to the finding identified in our audit is described below. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

- *The District is continuing to work diligently to increase the profitability of the Golf Course in order to meet the requirements of the bond indenture for the Golf Course Revenue Bonds, including the replenishment of the debt service reserve fund and payment of the debt service principal and interest.*

#### **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 result of that testing, and not to provide an opinion on the effectiveness of the District'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.

*Carr, Riggs & Ingram, L.L.C.*

Miramar Beach, Florida  
March 28, 2014

## MANAGEMENT LETTER

To the Board of Supervisors  
Waterlefe Community Development District  
Manatee County, Florida

We have audited the financial statements of Waterlefe Community Development District ("District") as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated March 28, 2014.

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 Florida Auditor General. 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*. Disclosures in this report, which is dated March 28, 2014, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's report:

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken but have not yet been successful in addressing the findings made in the preceding annual financial audit report. These findings were also in the second preceding fiscal year financial audit report.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the District complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address 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 have any such findings.

Section 10.554(1)(i)5., 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. The information required is disclosed in the notes to the financial statements.

Section 10.554(1)(i)6.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity 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 the District met the condition described in Section 218.503(1)(a), Florida Statutes. The District has failed to make its debt service payments on the Golf Course Revenue Bonds, Series 2001 since the October 2009 payment as a result of a lack of funds. We applied financial condition assessment procedures to Rule 10.566(7) and deteriorating financial conditions were noted. See the District's response to the findings on page 35.

Section 10.554(1)(i)6.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the District for the fiscal year ended September 30, 2013, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2013. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)6.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures, and as a result, it was determined that a deteriorating financial condition exists with respect to the District's enterprise fund operations. As discussed in Notes 5 and 8 to the financial statements, the District has \$8.37 million of Golf Course Revenue Bonds, Series 2001 outstanding at September 30, 2013. The indenture relating to those bonds requires the former Developer fund any deficiency in the reserve fund through a debt service deficiency agreement. However, the former Developer has not funded the reserves in accordance with the agreement. Therefore, the District has been unable to make any debt service payments since the October 2009 payment. The District may elect to make the scheduled debt service payments on the bonds from other funds but elected not to.

The enterprise fund is used to account for the operations of the District's golf course facilities. The District has been dependent on the former Developer to fund shortages in the golf course fund for operations and required debt service payments. However, after emerging from bankruptcy as a newly formed organization, the former Developer ceased funding shortages in the golf course fund for operations and debt service payments. In the absence of available funds, as noted above, the District did not make certain debt service payments. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Carri Riggs & Ingram, L.L.C.*

Miramar Beach, Florida  
March 28, 2014