

WATER'S EDGE  
COMMUNITY DEVELOPMENT DISTRICT  
MANATEE COUNTY, FLORIDA

FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2014

WATER'S EDGE COMMUNITY DEVELOPMENT DISTRICT  
MANATEE COUNTY, FLORIDA

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
Water's Edge Community Development District  
Manatee County, Florida

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Water's Edge Community Development District, Manatee County, Florida (the "District") as of and for the fiscal year ended September 30, 2014, 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.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Water's Edge Community Development District, Manatee County, Florida as of September 30, 2014 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.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 7 and budgetary comparison information on page 22 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 our report dated June 26, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 result 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 the District's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

June 26, 2015  
Bradenton, FL

## MANAGEMENT DISCUSSION AND ANALYSIS

Our discussion and analysis of Water's Edge Community Development District, Manatee County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2014. Please read it in conjunction with the District's Independent Auditors' Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

### FINANCIAL HIGHLIGHTS

- At September 30, 2014 and 2013, the District had a net position of \$2,404,979 and \$971,145, respectively.
- At September 30, 2014 and 2013, the District's change in net position was \$1,433,834 and \$1,472,169 respectively.
- At September 30, 2014, the District's governmental funds reported combined ending fund balances of \$1,709,971, an increase of \$384,935. Of the total fund balance, \$1,708,725 is restricted for debt service and \$1,246 is unassigned fund balance.

### OVERVIEW OF FINANCIAL STATEMENTS

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

#### Government-Wide Financial Statements

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

The statement of net position presents information on all the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements include all governmental activities that are principally supported by Developer contributions. The District does not have any business-type activities. The governmental activities of the District include the general government (management) and maintenance functions.

## Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has one fund category: governmental funds.

## Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, debt service and capital projects funds. All three of the funds are considered to be major funds.

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

## Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities for a net position of \$2,404,979 at September 30, 2014, and assets exceeded liabilities for a net position of \$971,145 at September 30, 2013.

The largest portion of the District's net position is net investment in capital assets (e.g. land, land improvements, and infrastructure less any related debt used to acquire those assets that is still outstanding). These assets are used to provide services to residents; consequently, these assets are not available for future spending. Although the District's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used. They are funds set aside for debt service under the District's Bond Indentures and for capital projects and subsequent infrastructure construction. The remaining balance of unrestricted net position may be used to meet the District's other obligations.

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

	<u>2014</u>	<u>2013</u>
Assets, excluding capital assets	\$ 1,725,198	\$ 1,339,723
Capital assets, net of depreciation	<u>10,895,980</u>	<u>10,723,699</u>
Total assets	<u>12,621,178</u>	<u>12,063,422</u>
Liabilities, excluding long-term liabilities	1,781,255	1,014,632
Long-term liabilities	<u>8,434,944</u>	<u>10,077,645</u>
Total liabilities	<u>10,216,199</u>	<u>11,092,277</u>
Net Position		
Net investment in capital asset	2,457,036	643,054
Restricted for debt service	(53,303)	339,901
Unrestricted	<u>1,246</u>	<u>(11,810)</u>
Total net position	<u>\$ 2,404,979</u>	<u>\$ 971,145</u>

The change in the District's total assets during the fiscal year ended September 30, 2014 was an increase of approximately \$560 thousand. This was highlighted by increased investments of approximately \$385 thousand and \$170 thousand of net increased infrastructure.

Liabilities decreased approximately \$876,000 primarily related to debt principal payments of \$1.642 million offset by increased accrued interest payable of \$765 thousand of the 2012 series bonds.

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

	<u>2014</u>	<u>2013</u>
Revenues:		
Program revenues	\$ 2,627,417	\$ 2,882,059
General revenues	<u>133</u>	<u>474</u>
Total revenues	<u>2,627,550</u>	<u>2,882,533</u>
Expenses:		
General government	88,500	75,107
Maintenance and operations	329,968	375,638
Interest	<u>775,248</u>	<u>959,619</u>
Total expenses	<u>1,193,716</u>	<u>1,410,364</u>
Change in net position	1,433,834	1,472,169
Net position(deficit), beginning, restated	<u>971,145</u>	<u>(501,024)</u>
Net position (deficit), ending	<u>\$ 2,404,979</u>	<u>\$ 971,145</u>

Program revenues for 2014 and 2013 fiscal years were comprised primarily of special assessments and developer contributions. Fiscal year 2013 includes approximately \$1.5 million in debt forgiveness. Interest expense is related to accrued interest on the 2012 Bonds.

#### FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the operating fund of the District and includes all activities related to providing management and operating services.

In the table below we have presented the cost of the largest functions/programs as a percentage of total government funds.

	<u>2014</u>		<u>2013</u>	
General government	\$ 88,500	4%	\$ 267,368	33%
Maintenance and operations	27,112	1%	127,020	15%
Capital outlay	475,137	21%	59,075	7%
Interest and principal on long-term debt	<u>1,651,866</u>	<u>74%</u>	<u>370,786</u>	<u>45%</u>
Total	<u>\$ 2,242,615</u>	<u>100%</u>	<u>\$ 824,249</u>	<u>100%</u>



## GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed the budget, is at the fund level. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The 2014 general fund budget was not amended.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of September 30, 2014 and 2013, the District had \$10,895,980 and \$10,723,699, respectively, invested in capital assets, net of depreciation. More detailed information about the District's capital assets is presented in Note 4 of the financial statements.

### Debt

As of September 30, 2014 and 2013, the District had \$8,438,944 and \$10,080,645, respectively, in Bonds outstanding for its governmental activities. The 2012 bonds have initial principal amounts of \$193,000 and \$10,411,499 with interest rates of 5.350% and 6.60%, respectively. More detailed information about the District's debt is presented in Note 5 of the financial statements.

### Contacting the District's Financial Management

This financial report is designed to provide our citizens, land owners, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Water's Edge Community Development District's Finance Department at 5680 W. Cypress Street, Suite A, Tampa, FL 33607.

WATER'S EDGE COMMUNITY DEVELOPMENT DISTRICT  
MANATEE COUNTY, FLORIDA  
STATEMENT OF NET POSITION  
September 30, 2014

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 14,871
Prepaid items	1,566
Other assets	36
Restricted assets:	
Investments	1,708,725
Capital assets:	
Depreciable, net	<u>10,895,980</u>
Total assets	<u>12,621,178</u>
 <b>LIABILITIES</b>	
Accrued expenses	150
Accrued interest payable	1,762,028
Due to developer	15,077
Bonds payable, due within one year	4,000
Bonds payable, long-term	<u>8,434,944</u>
Total liabilities	<u>10,216,199</u>
 <b>NET POSITION</b>	
Net Investment in capital assets	2,457,036
Restricted for debt service	(53,303)
Unrestricted	<u>1,246</u>
Total net position	<u>\$ 2,404,979</u>

See notes to the financial statements.

WATER'S EDGE COMMUNITY DEVELOPMENT DISTRICT  
MANATEE COUNTY, FLORIDA  
STATEMENT OF ACTIVITIES  
For The Fiscal Year Ended September 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 88,500	\$ 88,500	\$ -	\$ -	\$ -
Maintenance and operations	329,968	39,958	-	475,137	185,127
Interest on long-term debt	<u>775,248</u>	<u>2,023,822</u>	<u>-</u>	<u>-</u>	<u>1,248,574</u>
Total governmental activities	<u>\$ 1,193,716</u>	<u>\$ 2,152,280</u>	<u>\$ -</u>	<u>\$ 475,137</u>	1,433,701
General revenues:					
Interest income					<u>133</u>
Change in net position					
Net position - beginning					<u>971,145</u>
Net position - ending					<u>\$ 2,404,979</u>

See notes to the financial statements.

WATER'S EDGE COMMUNITY DEVELOPMENT DISTRICT  
MANATEE COUNTY, FLORIDA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
September 30, 2014

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Projects	
<b>ASSETS</b>				
Cash	\$ 14,871	\$ -	\$ -	\$ 14,871
Investments	-	1,708,725	-	1,708,725
Prepaid items	1,566	-	-	1,566
Other assets	36	-	-	36
	<u>\$ 16,473</u>	<u>\$ 1,708,725</u>	<u>\$ -</u>	<u>\$ 1,725,198</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accrued expenses	\$ 150	\$ -	\$ -	\$ 150
Due to developer	15,077	-	-	15,077
Total liabilities	<u>15,227</u>	<u>-</u>	<u>-</u>	<u>15,227</u>
<b>Fund balances:</b>				
<b>Restricted for:</b>				
Debt service	-	1,708,725	-	1,708,725
<b>Unassigned in:</b>				
General fund	1,246	-	-	1,246
Total fund balances	<u>1,246</u>	<u>1,708,725</u>	<u>-</u>	<u>1,709,971</u>
Total liabilities and fund balances	<u>\$ 16,473</u>	<u>\$ 1,708,725</u>	<u>\$ -</u>	<u>\$ 1,725,198</u>

See notes to the financial statements.

WATER'S EDGE COMMUNITY DEVELOPMENT DISTRICT  
MANATEE COUNTY, FLORIDA  
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS  
TO STATEMENT OF NET POSITION  
September 30, 2014

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

Fund balance - governmental funds	\$ 1,709,971
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:

Cost of capital assets	\$ 12,101,497	
Accumulated depreciation	<u>(1,205,517)</u>	10,895,980

Certain liabilities not due and payable in the current period and, therefore, are not reported in the funds:

Accrued interest payable	(1,762,028)	
Bonds payable	<u>(8,438,944)</u>	<u>(10,200,972)</u>

Net position of governmental activities	<u>\$ 2,404,979</u>
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See notes to the financial statements.

WATER'S EDGE COMMUNITY DEVELOPMENT DISTRICT  
MANATEE COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For The Fiscal Year Ended September 30, 2014

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Projects	
<b>REVENUES</b>				
Assessments	\$ 126,802	\$ 2,023,822	\$ -	\$ 2,150,624
Interest income	59	74	-	133
Miscellaneous income	1,656	-	-	1,656
Developer contribution	-	-	475,137	475,137
Total revenues	128,517	2,023,896	475,137	2,627,550
<b>EXPENDITURES</b>				
Current:				
General government	88,349	151	-	88,500
Maintenance and operations	27,112	-	-	27,112
Debt Service:				
Principal	-	1,641,701	-	1,641,701
Interest	-	10,165	-	10,165
Capital outlay	-	-	475,137	475,137
Total expenditures	115,461	1,652,017	475,137	2,242,615
Net change in fund balances	13,056	371,879	-	384,935
Fund balances - beginning	(11,810)	1,336,846	-	1,325,036
Fund balances - ending	\$ 1,246	\$ 1,708,725	\$ -	\$ 1,709,971

See notes to the financial statements.

WATER'S EDGE COMMUNITY DEVELOPMENT DISTRICT  
MANATEE COUNTY, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For The Fiscal Year Ended September 30, 2014

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

Net change in fund balances - total governmental funds	\$	384,935
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is eliminated and capitalized as capital assets.		475,137
Depreciation on capital assets is not recognized in the governmental fund statements but is reported as an expense in the statement of activities		(302,856)
Repayment of long-term liabilities are reported as expenditures in the governmental fund statement but such repayments reduce liabilities in the statement of net assets and are eliminated in the statement of activities.		1,641,701
The change in accrued interest on long-term liabilities between the current and prior fiscal year is recorded in the statement of activities but not in the fund financial statements.		<u>(765,083)</u>
Change in net position of governmental activities	\$	<u>1,433,834</u>

See notes to the financial statements.

WATER'S EDGE COMMUNITY DEVELOPMENT DISTRICT  
MANATEE COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Water's Edge Community Development District (the "District") was created by the Manatee County Commissioners under Ordinance No. 05-34 effective on June 3, 2005 pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes. 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 purpose 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 the Board of Supervisors ("Board") which is composed of five members. The Supervisors are elected by the owners of property within the District. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes. All of the Board members are affiliated with Neal Communities, Inc. at September 30, 2014. River Reach Associates, LLC, ("Developer") is a wholly owned subsidiary of Neal Communities, Inc. The District is economically dependent on the Developer.

The Board has the final responsibility for:

1. Assessing 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

The financial statements were prepared in accordance with current Governmental Accounting Standards.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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



WATER'S EDGE COMMUNITY DEVELOPMENT DISTRICT  
MANATEE COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued

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

Assessments

Assessments are non-ad valorem assessments on all platted lots within the District. Assessments are levied each November 1 on property of record as of the previous January 1 to pay for the operations and maintenance and debt service of the District. The fiscal year for which annual assessments are levied begins on October 1 with discounts available for payments through February 28 and become delinquent on April 1. For debt service assessments, amounts collected as advance payments are used to prepay a portion of the Bonds outstanding. Otherwise, assessments are collected annually to provide funds for the debt service on the portion of the Bonds which are not paid with prepaid assessments. The District's annual assessments are billed and collected by the County Tax Assessor/Collector. The amounts remitted to the District are net of applicable discounts or fees and include interest on monies held from the day of collection to the day of distribution. In addition, any excess fees computed by the Tax Collector are remitted to the District.

Assessments and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. 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.

The District reports the following major governmental funds:

General Fund

The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for the annual payment of principal and interest on long-term debt.

WATER'S EDGE COMMUNITY DEVELOPMENT DISTRICT  
MANATEE COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Projects Fund

This fund accounts for the financial resources to be used for the acquisition or construction of major infrastructure within the District.

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 government's policy to use restricted resources first for qualifying expenditures, then unrestricted resources as they are needed.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits.

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

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

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due. In addition, surplus funds may be deposited into certificates of deposit which are insured and any unspent Bond proceeds are required to be held in investments allowed in the Bond Indenture.

The District records all interest revenue related to investment activities in the respective funds and reports investments at fair value.

Capital Assets

Major outlays for capital assets and improvements are capitalized as projects are constructed. District infrastructure is being depreciated over thirty years.

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized ratably over the life of the Bonds. Bonds payable are reported net of applicable premiums or discounts.

WATER'S EDGE COMMUNITY DEVELOPMENT DISTRICT  
MANATEE COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Balances

Governmental funds report fund balances are classified either as nonspendable, or as spendable. Spendable fund balances are further classified based on the extent to which there are external and internal constraints on the spending of these fund balances. These classifications are described as follows:

*Nonspendable Fund Balance* – Amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact.

*Restricted Fund Balance* – Amounts that are constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations or imposed by laws through constitutional provisions or enabling legislation. The District has restricted debt service and capital project funds.

*Committed Fund Balance* – Amounts that are constrained for specific purposes imposed by the District's formal action of highest level of decision making authority.

*Assigned Fund Balance* – Includes spendable fund balances intended to be used for specific purposes, but which are neither restricted nor committed.

*Unassigned Fund Balance* – Represents the residual positive fund balance within the General Fund, which has not been assigned to other funds and has not been restricted, committed, assigned. In funds other than the General Fund, unassigned fund balances are limited to negative residual balances.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The District is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end.

WATER'S EDGE COMMUNITY DEVELOPMENT DISTRICT  
 MANATEE COUNTY, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2014

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

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

- a) Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- b) Public hearings are conducted to obtain public comments.
- c) Prior to October 1, the budget is legally adopted by the District Board.
- d) All budget changes must be approved by the District Board.

The legal level of budgetary control, the level at which expenditures may not exceed budget, is at the fund level. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The 2014 general fund budget was not amended.

NOTE 3 – CASH AND INVESTMENTS

Cash

The District's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

Investments

The District's investments were held as follows at September 30, 2014:

	Fair Value	Credit Risk	Maturity
Money Market Mutual Funds - First American Government Obligation Funds	\$ 1,708,725	S&P Aaa-mf	Weighted average of the fund portfolio: 43 days

*Custodial risk* — For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, 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. The money market mutual funds are not evidenced by securities that exist in physical or book entry form.

WATER'S EDGE COMMUNITY DEVELOPMENT DISTRICT  
MANATEE COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2014

NOTE 3 – CASH AND INVESTMENTS - CONTINUED

Investments - continued

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

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

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

However, the Bond Indenture limits the type of investments held using unspent proceeds in the debt service and capital projects funds.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Capital assets, being depreciated				
Infrastructure	\$ 11,626,360	\$ 475,137	\$ -	\$ 12,101,497
Less accumulated depreciation for:				
Infrastructure	<u>902,661</u>	<u>302,856</u>	<u>-</u>	<u>1,205,517</u>
Total capital assets, being depreciated, net	<u>\$ 10,723,699</u>	<u>\$ 172,281</u>	<u>\$ -</u>	<u>\$ 10,895,980</u>
Governmental activities capital assets, net	<u>\$ 10,723,699</u>	<u>\$ 172,281</u>	<u>\$ -</u>	<u>\$ 10,895,980</u>

WATER'S EDGE COMMUNITY DEVELOPMENT DISTRICT  
MANATEE COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2014

NOTE 5 – LONG TERM LIABILITIES

At September 30, 2014 the District has the following Bond issues outstanding:

Capital Improvement Revenue Bonds:	Original Face Amount	Interest Rate	Mandatory Redemption Beginning May 1	Interest Payments May and November	Maturity
Series 2012A-1	\$ 193,000	5.35%	N/A	May and November	May 1, 2039
Series 2012A-2	\$ 13,485,000	6.60%	N/A	May and November	May 1, 2039

The Bonds were issued to finance the acquisition and construction of certain infrastructure within the District.

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. In addition, 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 agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements.

Long-term debt activity

Changes in long-term liability activity for the fiscal year ended September 30, 2014 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
2012A-1	\$ 190,000	\$ -	\$ 3,000	\$ 187,000	\$ 4,000
2012A-2	<u>9,890,645</u>	<u>-</u>	<u>1,638,701</u>	<u>8,251,944</u>	<u>-</u>
	<u>\$ 10,080,645</u>	<u>\$ -</u>	<u>\$ 1,641,701</u>	<u>\$ 8,438,944</u>	<u>\$ 4,000</u>

WATER'S EDGE COMMUNITY DEVELOPMENT DISTRICT  
MANATEE COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2014

NOTE 5 – LONG TERM LIABILITIES – CONTINUED

At September 30, 2014, the scheduled debt service requirements on the long - term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2015	\$ 4,000	\$ 779,189	\$ 783,189
2016	4,000	830,488	834,488
2017	264,000	712,736	976,736
2018	279,000	536,831	815,831
2019	299,000	518,467	817,467
2020-2024	1,832,000	2,268,765	4,100,765
2025-2029	2,545,000	1,577,970	4,122,970
2030-2034	3,152,944	618,404	3,771,348
2035-2039	59,000	9,737	68,737
Total	<u>\$ 8,438,944</u>	<u>\$ 7,852,587</u>	<u>\$ 16,291,531</u>

NOTE 6 – MANAGEMENT COMPANY

The District has contracted with a management company to perform management advisory services, which include financial and accounting services. Certain employees of the management company also serve as officers of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, computer and other administrative costs. Total management fees for the year ended September 30, 2014 were \$28,000, of which \$15,300 were paid to a company related to the developer.

NOTE 7 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

REQUIRED SUPPLEMENTARY INFORMATION



WATER'S EDGE COMMUNITY DEVELOPMENT DISTRICT  
MANATEE COUNTY, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND  
For The Fiscal Year Ended September 30, 2014

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Assessments	\$ 148,569	\$ 148,569	\$ 126,802	\$ (21,767)
Interest income and other revenues	-	-	1,715	1,715
Total revenues	<u>148,569</u>	<u>148,569</u>	<u>128,517</u>	<u>(20,052)</u>
<b>EXPENDITURES</b>				
Current:				
General government	66,189	66,189	88,349	(22,160)
Maintenance and operations	52,380	52,380	27,112	25,268
Contingency	15,000	15,000	-	15,000
Reserves	<u>15,000</u>	<u>15,000</u>	-	<u>15,000</u>
Total expenditures	<u>148,569</u>	<u>148,569</u>	<u>115,461</u>	<u>33,108</u>
Net change in fund balance	-	-	13,056	13,056
Fund balance - beginning	<u>(11,810)</u>	<u>(11,810)</u>	<u>(11,810)</u>	-
Fund balance - ending	<u>\$ (11,810)</u>	<u>\$ (11,810)</u>	<u>\$ 1,246</u>	<u>\$ 13,056</u>

See notes to required supplementary information.

WATER'S EDGE COMMUNITY DEVELOPMENT DISTRICT  
MANATEE COUNTY, FLORIDA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The District is required to establish a budgetary system and an approved Annual Budget for the general fund. The District's budgeting process is based on estimates of cash receipts and cash expenditures which are approved by the Board. The budget approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

The legal level of budgetary control, the level at which expenditures may not exceed budget, is at the fund level. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The 2014 general fund budget was not amended.

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

To the Board of Supervisors  
Water's Edge Community Development District  
Manatee County, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Water's Edge Community Development District, Manatee County, Florida (the "District") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 26, 2015.

### **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 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.

## **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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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



CERTIFIED PUBLIC ACCOUNTANTS

June 26, 2015  
Bradenton, FL

## INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Supervisors  
Water's Edge Community Development District  
Manatee County, Florida

We have examined Water's Edge Community Development District, Manatee County, Florida (the "District") compliance with Section 218.415, Florida Statutes during the fiscal year ended September 30, 2014. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2014.

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



CERTIFIED PUBLIC ACCOUNTANTS

Bradenton, Florida  
June 26, 2015

## MANAGEMENT LETTER

To the Board of Supervisors  
Water's Edge Community Development District  
Manatee County, Florida

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

We have audited the financial statements of the Water's Edge Community Development District (the "District"), as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated June 26, 2015.

### **Auditor's Responsibility**

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

### **Other Reports**

We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and Compliance and Other Matters on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards, Section 601*, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 26, 2015, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

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

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

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

## **Financial Condition**

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the District has met one of more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the District'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. The assessment was done as of September 30, 2014.

## **Annual Financial Report**

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2014, 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, 2014. In connection with our audit, we determined that these two reports were in agreement.

## **Other Matters**

Section 10.554(1)(i)2., 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)3., 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.

## **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.



CERTIFIED PUBLIC ACCOUNTANTS

June 26, 2015  
Bradenton, Florida