

**WATER'S EDGE
COMMUNITY
DEVELOPMENT
DISTRICT**

FINANCIAL STATEMENTS

Year Ended September 30, 2016

WATER'S EDGE COMMUNITY DEVELOPMENT DISTRICT

TABLE OF CONTENTS

Year Ended September 30, 2016

	<u>Page</u>
I. Financial Section:	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet - Governmental Funds	9
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	12
Notes to Financial Statements	13
II. Compliance Section:	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25
Management Comments	27
Independent Auditor's Report on Compliance with the Requirements of Section 218.415, Florida Statutes	29

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Water's Edge Community Development District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of the *Water's Edge Community Development District* (the "District"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

MCDIRMIT DAVIS & COMPANY, LLC

934 NORTH MAGNOLIA AVENUE, SUITE 100 ORLANDO, FLORIDA 32803
TELEPHONE: 407-843-5406 FAX: 407-649-9339 EMAIL: INFO@MCDIRMITDAVIS.COM

Opinions

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 the District, as of September 30, 2016, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis starting on page 3, 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 October 31, 2017 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, 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.

McDiarmid Davis & Company, LLC

Orlando, Florida
October 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of *Water's Edge Community Development District's*, (the "District") financial accomplishments provide an overview of the District's financial activities for the year ended September 30, 2016. Please read it in conjunction with the District's Independent Auditor's Report, financial statements and accompanying notes.

This information is being presented to provide additional information regarding the activities of the District and to meet the disclosure requirements of Government Accounting Standards Board Statement (GASB) No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued June 1999.

Financial Highlights

- The assets of the District exceeded its liabilities at September 30, 2016 by \$6,164,911, an increase in net position of \$1,594,251 in comparison with the prior year.
- At September 30, 2016, the District's governmental funds reported combined fund balance of \$1,473,821, a decrease in fund balance of \$133,882 in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the *Water's Edge Community Development District's* financial statements. The District's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

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

The statement of net position presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference 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 special assessment revenues. The District does not have any business-type activities. The governmental activities of the District include general government, maintenance and operations and parks and recreation related functions.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances 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 fund, debt service fund and capital projects fund, all of which 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 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

Statement of Net Position - The District's net position was \$6,164,911 at September 30, 2016. The following analysis focuses on the net position of the District's governmental activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-Wide Financial Analysis (Continued):

Water's Edge Community Development District
Statement of Net Position

	September 30, 2016	September 30, 2015
Assets, excluding capital assets	\$ 1,511,486	\$ 2,317,766
Capital Assets, net of depreciation	12,482,718	11,984,598
Total assets	<u>13,994,204</u>	<u>14,302,364</u>
Liabilities, excluding long-term liabilities	245,293	714,142
Long-term Liabilities	7,584,000	9,017,562
Total liabilities	<u>7,829,293</u>	<u>9,731,704</u>
Net Position:		
Net investment in capital assets	7,385,242	5,149,864
Unrestricted	<u>(1,220,331)</u>	<u>(579,204)</u>
Total net position	<u>\$ 6,164,911</u>	<u>\$ 4,570,660</u>

The following is a summary of the District's governmental activities for the fiscal years ended September 30, 2016 and 2015.

Changes in Net Position
Year ended September 30.

	2016	2015
Revenues:		
Program revenues	\$ 2,893,208	\$ 3,243,598
General revenues	339	29
Total revenues	<u>2,893,547</u>	<u>3,243,627</u>
Expenses:		
General government	55,766	56,132
Maintenance and operations	664,869	570,746
Parks and recreation	61,625	16,185
Interest on long-term debt	517,036	434,883
Total expenses	<u>1,299,296</u>	<u>1,077,946</u>
Change in net position	<u>1,594,251</u>	<u>2,165,681</u>
Net Position - beginning	<u>4,570,660</u>	<u>2,404,979</u>
Net Position - ending	<u>\$ 6,164,911</u>	<u>\$ 4,570,660</u>

As noted above and in the statement of activities, the cost of all governmental activities during the year ended September 30, 2016 was \$1,299,296. The majority of these costs are comprised of maintenance and operations expenses and interest on long term debt.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the Government's 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 the District's financing requirements. In particular, unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At September 30, 2016, the District's governmental funds reported a combined ending fund balance of \$1,473,821. Of this total, \$9,665 is nonspendable, \$1,496,411 is restricted, and the remainder is an unassigned negative fund balance of \$(32,255).

The fund balance of the general fund decreased by \$15,260 primarily because expenditures exceeded assessments received. The debt service fund balance decreased by \$261,585 because current year debt payments exceeded prepayment revenue received. The capital projects fund balance increased \$142,963 due to contributions exceeding capital expenditures.

General Fund Budgetary 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. There were no amendments to the general fund budget. The legal level of budgetary control is at the fund level.

Capital Asset and Debt Administration

Capital Assets - At September 30, 2016, the District had \$12,482,718 invested in land and infrastructure, net of accumulated depreciation. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Capital Debt - At September 30, 2016, the District had \$7,584,000 in bonds outstanding including \$2,486,524 of accreted interest payable. More detailed information about the District's capital debt is presented in the notes to the financial statements.

Requests for Information

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, Florida 33607.

FINANCIAL STATEMENTS

WATER'S EDGE COMMUNITY DEVELOPMENT DISTRICT

STATEMENT OF NET POSITION

September 30, 2016

	Governmental Activities
Assets:	
Cash	\$ 127,949
Assessments receivable	900
Prepaid costs	5,729
Deposits	3,936
Restricted assets:	
Temporarily restricted investments	1,372,972
Capital assets:	
Capital assets not being depreciated	2,393,504
Capital assets being depreciated, net	10,089,214
Total assets	<u>13,994,204</u>
Liabilities:	
Accounts payable and accrued expenses	22,588
Due to developer	15,077
Accrued interest payable	207,628
Noncurrent liabilities:	
Due within one year	204,741
Due in more than one year	7,379,259
Total liabilities	<u>7,829,293</u>
Net Position	
Net investment in capital assets	7,385,242
Unrestricted	(1,220,331)
Total net position	<u>\$ 6,164,911</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

WATER'S EDGE COMMUNITY DEVELOPMENT DISTRICT

STATEMENT OF ACTIVITIES

Year Ended September 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenue</u>		<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
			<u>Operating Grants and Contributions</u>			<u>Governmental Activities</u>
Governmental activities:						
General government	\$ 55,766	\$ 10,861	\$ 206,835	\$ -	\$ -	\$ 161,930
Maintenance and operations	664,869	129,489	-	1,044,466	-	509,086
Parks and recreation	61,625	12,002	-	-	-	(49,623)
Interest on long-term debt	517,036	1,472,265	17,290	-	-	972,519
Total governmental activities	<u>\$ 1,299,296</u>	<u>\$ 1,624,617</u>	<u>\$ 224,125</u>	<u>\$ 1,044,466</u>		<u>1,593,912</u>
General Revenues:						
Interest income						159
Miscellaneous income						180
Total general revenues						<u>339</u>
Change in net position						1,594,251
Net Position - beginning						<u>4,570,660</u>
Net Position - ending						<u>\$ 6,164,911</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

WATER'S EDGE COMMUNITY DEVELOPMENT DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2016

	General	Debt Service	Capital Projects	Total Governmental Funds
Assets:				
Cash	\$ 127,949	\$ -	\$ -	\$ 127,949
Investments	-	1,371,575	1,397	1,372,972
Assessments receivable	900	-	-	900
Due from other funds	-	123,439	-	123,439
Prepaid costs	1,599	4,130	-	5,729
Deposits	3,936	-	-	3,936
Total assets	\$ 134,384	\$ 1,499,144	\$ 1,397	\$ 1,634,925
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued expenses	\$ 22,588	\$ -	\$ -	\$ 22,588
Due to other funds	123,439	-	-	123,439
Due to developer	15,077	-	-	15,077
Total liabilities	161,104	-	-	161,104
Fund Balances:				
Nonspendable	5,535	4,130	-	9,665
Restricted for debt service	-	1,495,014	-	1,495,014
Restricted for capital projects	-	-	1,397	1,397
Unassigned	(32,255)	-	-	(32,255)
Total fund balances	(26,720)	1,499,144	1,397	1,473,821
Total liabilities and fund balances	\$ 134,384	\$ 1,499,144	\$ 1,397	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 12,482,718

Liabilities not due and payable from current available resources are not reported in governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide statements.

Accrued interest payable	(207,628)	
Bonds payable	(7,584,000)	(7,791,628)

Net Position of Governmental Activities **\$ 6,164,911**

The accompanying Notes to Financial Statements are an integral part of this statement.

WATER'S EDGE COMMUNITY DEVELOPMENT DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

Year Ended September 30, 2016

	General	Debt Service	Capital Projects	Total Governmental Funds
Revenues:				
Special assessments	\$ 152,352	\$ 123,441	\$ -	\$ 275,793
Special assessments - prepayments	-	1,348,824	-	1,348,824
Developer contributions	206,835	17,221	1,044,466	1,268,522
Investment income	159	69	-	228
Miscellaneous income	180	-	-	180
	359,526	1,489,555	1,044,466	2,893,547
Expenditures:				
Current:				
General government	51,675	4,091	-	55,766
Maintenance and operations	261,486	-	-	261,486
Parks and Recreation	61,625	-	-	61,625
Debt Service:				
Interest	-	9,791	-	9,791
Principal	-	1,737,258	-	1,737,258
Capital outlay	-	-	901,503	901,503
	374,786	1,751,140	901,503	3,027,429
Excess (Deficit) of Revenues Over Expenditures	(15,260)	(261,585)	142,963	(133,882)
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
	(15,260)	(261,585)	142,963	(133,882)
Fund Balances (Deficit) - beginning of year	(11,460)	1,760,729	(141,566)	1,607,703
Fund Balances (Deficit) - end of year	\$ (26,720)	\$ 1,499,144	\$ 1,397	\$ 1,473,821

The accompanying Notes to Financial Statements are an integral part of this statement.

WATER'S EDGE COMMUNITY DEVELOPMENT DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT
OF ACTIVITIES**

Year Ended September 30, 2016

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

Net Change in Fund Balances - total governmental funds (page 11) \$ (133,882)

Governmental funds report capital outlays as expenditures. In the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	901,503	
Depreciation expense	<u>(403,383)</u>	498,120

Repayments of long-term liabilities are reported as expenditures in governmental funds, while repayments reduce long-term liabilities in the statement of net position. 1,737,258

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued and accreted interest		<u>(507,245)</u>
---	--	------------------

Change in Net Position of Governmental Activities (page 9)		<u><u>\$ 1,594,251</u></u>
--	--	----------------------------

The accompanying Notes to Financial Statements are an integral part of this statement.

WATER'S EDGE COMMUNITY DEVELOPMENT DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Special Assessments	\$ 153,794	\$ 153,794	\$ 152,352	\$ (1,442)
Developer Contributions	-	-	206,835	206,835
Investment Income	-	-	159	159
Miscellaneous Income	-	-	180	180
Total revenues	<u>153,794</u>	<u>153,794</u>	<u>359,526</u>	<u>205,732</u>
Expenditures:				
Current:				
General government	67,483	67,483	51,675	15,808
Maintenance and operations	68,111	68,111	261,486	(193,375)
Parks and recreation	18,200	18,200	61,625	(43,425)
Total expenditures	<u>153,794</u>	<u>153,794</u>	<u>374,786</u>	<u>(220,992)</u>
Excess (deficit) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>(15,260)</u>	<u>(15,260)</u>
Net change in fund balance	-	-	(15,260)	(15,260)
Fund Balance - beginning of year	<u>(11,460)</u>	<u>(11,460)</u>	<u>(11,460)</u>	<u>-</u>
Fund Balance (Deficit) - end of year	<u>\$ (11,460)</u>	<u>\$ (11,460)</u>	<u>\$ (26,720)</u>	<u>\$ (15,260)</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

WATER'S EDGE COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2016

Note 1 - Summary of Significant Accounting Policies:

Reporting Entity

The *Water's Edge Community Development District*, (the "District") was created by Manatee County Ordinance 05-34 enacted 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, the power to borrow money and issue bonds, and the power 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 (the "Board"), which is composed of five members. The Supervisors are elected on an at large basis by the owners of the property within the District. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes. All of the Board members is associated with Neal Communities, Inc. at September 30, 2016. 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 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 Governmental Accounting Standards Board ("GASB") Statement 14, 39, and 61. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District Board of Supervisors is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. Management has determined that there are no entities considered to be component units of the District.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued):

Government-Wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and 3) operating-type special assessments that are treated as charges for services (including assessments for maintenance and debt service). Other items not included among program revenues are reported instead as *general revenues*.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Assessments are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues 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 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 and operation and maintenance assessments, are non-ad valorem assessments imposed on all lands located within the district and benefited by the District's activities. Assessments are levied by the District prior to the start of the fiscal year which begins October 1st and ends on September 30th. Operation and maintenance special assessments are imposed upon all 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued):

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

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

The general fund and debt service fund are considered to be major funds. The District reports the following governmental funds:

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

Debt Service Fund - accounts for the accumulation of resources for the annual payment of principal and interest on long-term debt.

Capital Projects 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 District's policy to use restricted resources first, then unrestricted resources as they are needed.

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

Restricted Assets - These assets represent cash and investments set aside pursuant to bond covenants.

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

Investments of the District are reported at fair value and are categorized within the fair value hierarchy established in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. The District's investments consist of investments authorized in accordance with Section 218.415, Florida Statutes.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Receivables - All receivables are shown net of allowance for uncollectible amounts.

WATER'S EDGE COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued):

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued):

Capital Assets - Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks and similar items), are reported in the applicable 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 or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	30

Long Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of premiums or discounts. Bond issuance costs are expensed.

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

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any item that qualifies for reporting in this category for the year ended September 30, 2016.

WATER'S EDGE COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued):

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued):

Deferred Outflows/Inflows of Resources (Continued) - In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District does not have any item that qualifies for reporting in this category for the year ended September 30, 2016.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued):

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued):

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

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

Note 2 - Stewardship, Compliance and Accountability:

A. Budgetary Information

The District is required to establish a budgetary system and an approved annual budget for the General Fund. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at the fiscal year end. The legal level of budgetary control is at the fund level. Any budget amendments that increase the aggregate budgeted appropriations, at the fund level, must be approved by the Board of Supervisors.

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

1. Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally adopted by the District Board.
4. All budget changes must be approved by the District Board.
5. The budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 2 - Stewardship, Compliance and Accountability (Continued):

B. Deficit Fund Equity

The general fund has a deficit fund balance at September 30, 2016.

C. Excess Expenditures over Appropriations

For the year ended September 30, 2016, expenditures exceeded appropriations for the general fund. The general fund also had excess appropriations over estimated revenues and available fund balance due to a beginning fund balance deficit.

Note 3 - Deposits and Investments:

Deposits

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

Investments

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

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

WATER'S EDGE COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 3 - Deposits and Investments (Continued):

Investments (Continued)

The District has the following recurring fair value measurements as of September 30, 2016:

- Money market mutual funds of \$1,372,972 are valued using Level 2 inputs.

The District's investment policies are governed by State Statutes and the District Trust Indentures. The District investment policy allows investments in any financial institution that is a qualified public depository of the State of Florida as identified by the State Treasurer, in accordance with Chapter 280 of the Florida Statutes. Authorized District investments include, but are not limited to:

1. The Local Government Surplus Funds Trust Fund (SBA);
2. Securities and Exchange Commission Registered Money Market Funds with the highest credit quality rating from a nationally recognized rating agency;
3. Interest-bearing time deposits or savings accounts in qualified public depositories;
4. Direct obligations of the U.S. Treasury;

Investments made by the District at September 30, 2016 are summarized below. In accordance with GASB 31, investments are reported at fair value.

Investment Type	Fair Value	Credit Rating	Weighted Average Maturity
First American Government Obligation Fund Y	\$ 1,372,972	AAAm	43 days

Credit Risk:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 3 - Deposits and Investments (Continued):

Investments (Continued)

Custodial Credit Risk:

In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2016, all of the District's bank deposits were in qualified public depositories

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. September 30, 2016, none of the investments listed are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk:

The District 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 limit its investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The District manages its exposure to declines in fair values by investing primarily in pooled investments that have a weighted average maturity of less than three months.

Note 4 - Interfund Balances:

At September 30, 2016, the general fund owed the debt service fund \$123,439 for debt service assessments collected, and not yet transferred to the debt service fund.

WATER'S EDGE COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 5 - Capital Assets:

Capital asset activity for the year ended September 30, 2016 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Infrastructure under construction	\$ 1,492,001	\$ 901,503	\$ -	\$ 2,393,504
Total capital assets not being depreciated	1,492,001	901,503	-	2,393,504
Capital Assets Being Depreciated:				
Infrastructure	12,101,497	-	-	12,101,497
Total capital assets being depreciated	12,101,497	-	-	12,101,497
Less Accumulated Depreciation for:				
Infrastructure	(1,608,900)	(403,383)	-	(2,012,283)
Total accumulated depreciation	(1,608,900)	(403,383)	-	(2,012,283)
Total capital assets being depreciated, net	10,492,597	(403,383)	-	10,089,214
Governmental activities capital assets, net	<u>\$ 11,984,598</u>	<u>\$ 498,120</u>	<u>\$ -</u>	<u>\$ 12,482,718</u>

Depreciation expense for 2016 was charged to maintenance and operations expense.

Note 6 - Long-Term Liabilities:

On May 7, 2012 the District issued \$10,604,499 of Capital Improvement Revenue Refunding Bonds, Series 2012. The bonds consist of \$193,000 Series 2012A-1 Term Bonds due on May 1, 2039 with a fixed interest rate of 5.35%, and \$10,411,499 Series 2012A-2 Capital Appreciation Bonds due on May 1, 2039 with a fixed interest rate of 6.6%. Interest accretes and is added to the Bond principal from the issuance date until the conversion date of November 1, 2016. On that date, the Bonds convert to Current Interest Bonds and interest payments become due semiannually on each May 1 and November 1, beginning on November 1, 2016. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District, and were exchanged for outstanding Capital Improvement Revenue Bonds, Series 2006. Interest is paid semiannually on each May 1 and November 1, commencing November 1, 2012. Principal on the Series 2012A-1 Bonds is payable serially commencing May 1, 2013 through May 1, 2039. Principal on the Series 2012A-2 Bonds is payable serially commencing May 1, 2017.

The Series 2012 Bonds are subject to redemption at the option of the District prior to their maturity. The Series 2012 Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by 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 at September 30, 2016.

WATER'S EDGE COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 6 - Long-Term Liabilities (Continued):

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 and to meet the reserve requirements. Payment of principal and interest on the Series 2012 Bonds is secured by a pledge of and first lien upon the pledged special assessment revenue. The District is in compliance with the requirements of the Bond Indenture.

Total principal and interest remaining on the Series 2012 Revenue Bonds at September 30, 2016 is \$10,204,400. For the year ended September 30, 2016, principal and interest paid was \$1,747,049. Total special assessment revenue pledged for the year was \$1,489,486.

Long-term debt activity for the year ended September 30, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
Series 2012A-1	\$ 183,000	\$ -	\$ (4,000)	\$ 179,000	\$ 4,000
Series 2012A-2	6,651,734	-	(1,733,258)	4,918,476	200,741
Total bonds payable	6,834,734	-	(1,737,258)	5,097,476	204,741
Accreted interest payable	2,182,828	303,696	-	2,486,524	-
Governmental activity long-term liabilities	\$ 9,017,562	\$ 303,696	\$ (1,737,258)	\$ 7,584,000	\$ 204,741

At September 30, 2016, the scheduled debt service requirements on the bonds payable were as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2017	204,741	\$ 498,307
2018	216,322	480,933
2019	231,764	462,569
2020	248,205	442,885
2021	263,647	421,827
2022 - 2026	1,620,485	1,739,822
2027 - 2031	2,224,312	952,087
2032 - 2036	51,000	104,481
2037 - 2039	37,000	4,013
	\$ 5,097,476	\$ 5,106,924

WATER'S EDGE COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 7 - Related Party Transactions and Concentrations:

At September 30, 2016, the District owed the Developer \$15,077 from prior years. The Developer's portion of special assessment revenue for the year ended September 30, 2016 totaled \$1,268,522 which is 44% of total revenue.

Note 8 - 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. These risks are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

COMPLIANCE SECTION

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

To the Board of Supervisors
Water's Edge Community Development District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund of the *Water's Edge Community Development District* (the "District") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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.

McDiarmid Davis & Company, LLC

Orlando, Florida
October 31, 2017

MANAGEMENT COMMENTS

Board of Supervisors
Water's Edge Community Development District

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, 2016, and have issued our report thereon dated October 31, 2017.

Auditor's Responsibility

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

Other Reports

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Auditor'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 October 31, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

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

MCDIRMIT DAVIS & COMPANY, LLC

934 NORTH MAGNOLIA AVENUE, SUITE 100 ORLANDO, FLORIDA 32803
TELEPHONE: 407-843-5406 FAX: 407-649-9339 EMAIL: INFO@MCDIRMITDAVIS.COM

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the *Water's Edge Community Development District* has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the *Water's Edge Community Development 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 *Water's Edge Community Development District* 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.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the *Water's Edge Community Development District* for the fiscal year ended September 30, 2016, 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, 2016. 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.

McDermitt Davis & Company, LLC

Orlando, Florida
October 31, 2017

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

Board of Supervisors
Water's Edge Community Development District

We have examined Water's Edge Community Development District's (the District) compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2016. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

MCDIRMIT DAVIS & COMPANY, LLC

Orlando, Florida
October 31, 2017