

**WEST VILLAGES IMPROVEMENT DISTRICT  
CITY OF NORTH PORT, FLORIDA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2015**

**WEST VILLAGES IMPROVEMENT DISTRICT  
CITY OF NORTH PORT, FLORIDA**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
West Villages Improvement District  
City of North Port, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of West Villages Improvement District, City of North Port, Florida (the "District") as of and for the fiscal year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2015, and the respective changes in financial position, thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matters**

As discussed in Note 6 and other referenced notes to the basic financial statements, the District had approximately \$1.3 million in delinquent assessments due from a Major Landowner as of September 30, 2015. As a result of the Major Landowners' failure to pay assessments, the District did not make certain scheduled debt service payments. The District's failures to make its scheduled debt service payments when they are due are considered events of default. The District is economically dependent on the Developers and Major Landowners within the District.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 20, 2016, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

### **Report on Other Legal and Regulatory Requirements**

We have also issued our report dated June 20, 2016, on our consideration of the District's compliance with the requirements of Section 218.415, Florida Statutes, as required by Rule 10.556(10) of the Auditor General of the State of Florida. The purpose of that report is to provide an opinion based on our examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

June 20, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of West Villages Improvement District, City of North Port, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2015. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

### FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year resulting in a net position balance of \$14,414,875.
- The change in the District's total net position in comparison with the prior fiscal year was \$(844,620), a decrease. The key components of the District's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- At September 30, 2015, the District's governmental funds reported combined ending fund balances of \$27,042,054, a decrease of \$(1,391,444) in comparison with the prior fiscal year. A portion of the total fund balance is restricted for debt service and capital projects, assigned to IQ water reserve, and the remainder is unassigned fund balance which is available for spending at the District's discretion.

### OVERVIEW OF FINANCIAL STATEMENTS

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

#### Government-Wide Financial Statements

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

The statement of net position presents information on all the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the residual amount being 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 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.

## OVERVIEW OF FINANCIAL STATEMENTS (Continued)

### 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 outflow 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 balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains seven individual governmental funds for external reporting. 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, Unit 1, Unit 2 and Unit 3 debt service funds and capital projects funds, 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 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 at the close of the most recent fiscal year.

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

	NET POSITION	
	SEPTEMBER 30,	
	2015	2014
Current and other assets	\$ 30,051,857	\$ 30,624,711
Capital assets, net	67,358,672	68,620,196
Total assets	<u>97,410,529</u>	<u>99,244,907</u>
Current liabilities	3,590,654	2,790,412
Long-term liabilities	79,405,000	81,195,000
Total liabilities	<u>82,995,654</u>	<u>83,985,412</u>
Net position		
Net investment in capital assets	(12,046,328)	(12,574,804)
Restricted	20,982,581	22,145,107
Unrestricted	5,478,622	5,689,192
Total net position	<u>\$ 14,414,875</u>	<u>\$ 15,259,495</u>

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The District's net position reflects its 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 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. The remaining balance of unrestricted net position may be used to meet the District's other obligations.

The District's net position decreased during the most recent fiscal year. The majority of the decrease relates to the nonpayment of certain assessments by a Major Landowner.

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

	CHANGES IN NET POSITION	
	FOR THE FISCAL YEAR ENDED SEPTEMBER 30,	
	2015	2014
Revenues:		
Program revenues		
Charges for services	\$ 6,040,798	\$ 8,719,660
Operating grants and contributions	852	1,008
Capital grants and contributions	3,596	3,995
General revenues	2,882	6,947
Total revenues	<u>6,048,128</u>	<u>8,731,610</u>
Expenses:		
General government	472,482	707,913
Maintenance and operations	1,843,552	1,565,580
Interest	4,576,714	5,190,214
Total expenses	<u>6,892,748</u>	<u>7,463,707</u>
Special item - gain on cancellation of debt	-	10,691,937
Change in net position	<u>(844,620)</u>	<u>11,959,840</u>
Net position - beginning	15,259,495	3,299,655
Net position - ending	<u>\$ 14,414,875</u>	<u>\$ 15,259,495</u>

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2015 was \$6,892,748. The majority of the costs of the District's activities were paid by program revenues. Program revenues were comprised primarily of assessments for both the current and prior fiscal year. The decrease in program revenues is primarily due to the collection of certain delinquent assessments in the prior year which did not occur during the current fiscal year.

## 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 budget is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The fiscal year 2015 general fund budget was amended to decrease revenues by \$58,914 and increase appropriations by \$6,226. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2015. The actual general fund expenditures for the current fiscal year were lower than budgeted amounts due primarily to anticipated costs which were not incurred in the current fiscal year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At September 30, 2015, the District had \$73,597,473 invested in land, infrastructure, and construction in progress, for its governmental activities. In the government-wide financial statements depreciation of \$6,238,801 has been taken, which resulted in a net book value of \$67,358,672. More detailed information about the District's capital assets is presented in the notes of the financial statements.

### Capital Debt

At September 30, 2015, the District had \$80,905,000 in Bonds outstanding for its governmental activities. More detailed information about the District's capital debt is presented in the notes of the financial statements.

## ECONOMIC FACTORS AND OTHER EVENTS

Subsequent to fiscal year end, the Board considered issuing Series 2016 Special Assessment Revenue Bonds (unit of development No. 4) of not exceeding \$40,000,000 for the purpose of financing the construction and/or acquisition by the District of certain public improvements permitted, however, no terms of the refinancing have yet been established.

Subsequent to year end the District purchased land for a school and park site. The District paid \$4,950,000 for the school site and \$1,980,000 for the park site.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, land owners, taxpayers, 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 West Villages Improvement District's management services at Special District Services, Inc., 2501A Burns Road, Palm Beach Gardens, Florida 33410.



**WEST VILLAGES IMPROVEMENT DISTRICT  
CITY OF NORTH PORT, FLORIDA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015**

	Governmental Activities
<b>ASSETS</b>	
Cash	\$ 4,421,398
Accounts receivable	5,680
Assessments receivable	1,312,434
Other assets	2,325
Restricted assets:	
Investments	24,310,020
Capital assets:	
Nondepreciable	48,976,676
Depreciable, net	18,381,996
Total assets	97,410,529
 <b>LIABILITIES</b>	
Accounts payable	181,076
Accrued interest payable	1,893,285
Escrow deposits	16,293
Due to Bondholders:	
Principal	1,500,000
Non-current liabilities:	
Due within one year*	1,890,000
Due in more than one year	77,515,000
Total liabilities	82,995,654
 <b>NET POSITION</b>	
Net investment in capital assets	(12,046,328)
Restricted for debt service	1,447,598
Restricted for capital projects	19,534,983
Unrestricted	5,478,622
Total net position	\$ 14,414,875

\* The missed debt service payment due for the Series 2005 Bonds are reflected in the due to Bondholders account balance.

See notes to the financial statements

**WEST VILLAGES IMPROVEMENT DISTRICT  
CITY OF NORTH PORT, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Primary government:	Governmental Activities				
Governmental activities:					
General government	\$ 472,482	\$ 788,900	\$ -	\$ -	\$ 316,418
Maintenance and operations	1,843,552	-	-	3,596	(1,839,956)
Interest on long-term debt	4,576,714	5,251,898	852	-	676,036
Total governmental activities	6,892,748	6,040,798	852	3,596	(847,502)
General revenues:					
Unrestricted investment earnings					2,882
Total general revenues					2,882
Change in net position					(844,620)
Net position - beginning					15,259,495
Net position - ending					\$ 14,414,875

See notes to the financial statements

**WEST VILLAGES IMPROVEMENT DISTRICT  
CITY OF NORTH PORT, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2015**

	Major Funds							Total Governmental Funds
	General	Debt Service			Capital Projects			
		Unit 1 Series 2007	Unit 2 Series 2005	Unit 3 Series 2006	Unit 1 Series 2007	Unit 2 Series 2005	Unit 3 Series 2006	
<b>ASSETS</b>								
Cash	\$ 4,421,398	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,421,398
Investments	-	3,104,515	932,200	738,322	17,717,113	1,220,450	597,420	24,310,020
Accounts receivable	5,680	-	-	-	-	-	-	5,680
Assessments receivable	1,312,434	-	-	-	-	-	-	1,312,434
Due from other funds	-	-	-	75,780	-	-	-	75,780
Other assets	2,325	-	-	-	-	-	-	2,325
Total assets	<u>\$ 5,741,837</u>	<u>\$ 3,104,515</u>	<u>\$ 932,200</u>	<u>\$ 814,102</u>	<u>\$ 17,717,113</u>	<u>\$ 1,220,450</u>	<u>\$ 597,420</u>	<u>\$ 30,127,637</u>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts payable	\$ 171,142	\$ 9,934	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 181,076
Due to other funds	75,780	-	-	-	-	-	-	75,780
Escrow deposits	16,293	-	-	-	-	-	-	16,293
Due to Bondholders:								
Principal	-	-	1,500,000	-	-	-	-	1,500,000
Total liabilities	<u>263,215</u>	<u>9,934</u>	<u>1,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,773,149</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable revenue - special assessments	1,312,434	-	-	-	-	-	-	1,312,434
Total deferred inflows of resources	<u>1,312,434</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,312,434</u>
Fund balances:								
Restricted for:								
Debt service	-	3,094,581	-	814,102	-	-	-	3,908,683
Capital projects	-	-	-	-	17,717,113	1,220,450	597,420	19,534,983
Assigned to:								
IQ water reserve	156,419	-	-	-	-	-	-	156,419
Unassigned	4,009,769	-	(567,800)	-	-	-	-	3,441,969
Total fund balances	<u>4,166,188</u>	<u>3,094,581</u>	<u>(567,800)</u>	<u>814,102</u>	<u>17,717,113</u>	<u>1,220,450</u>	<u>597,420</u>	<u>27,042,054</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,741,837</u>	<u>\$ 3,104,515</u>	<u>\$ 932,200</u>	<u>\$ 814,102</u>	<u>\$ 17,717,113</u>	<u>\$ 1,220,450</u>	<u>\$ 597,420</u>	<u>\$ 30,127,637</u>

See notes to the financial statements

**WEST VILLAGES IMPROVEMENT DISTRICT  
CITY OF NORTH PORT, FLORIDA  
RECONCILIATION OF BALANCE SHEET – GOVERNMENTAL FUNDS  
TO STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2015**

Fund balance - governmental funds \$ 27,042,054

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 as assets in the governmental funds. The statement of net position includes those capital assets, net of accumulated depreciation, in the net position of the government as a whole.

Cost of capital assets	73,597,473	
Accumulated depreciation	(6,238,801)	67,358,672

Assets that are not available to pay for current-period expenditures are unavailable in the fund statements.		1,312,434
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Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund financial statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.

Accrued interest payable	(1,893,285)	
Bonds payable *	(79,405,000)	(81,298,285)

Net position of governmental activities		<u>\$ 14,414,875</u>
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\* The missed debt service payment due for the Series 2005 Bonds are reflected in the due to Bondholders account balance.

See notes to the financial statements

**WEST VILLAGES IMPROVEMENT DISTRICT  
CITY OF NORTH PORT, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

	Major Funds						Total Governmental Funds	
	General	Debt Service			Capital Projects			
		Unit 1 Series 2007	Unit 2 Series 2005	Unit 3 Series 2006	Unit 1 Series 2007	Unit 2 Series 2005		Unit 3 Series 2006
<b>REVENUES</b>								
Assessments	\$ 794,003	\$ 2,414,443	\$ 1,539,459	\$ 1,297,996	\$ -	\$ -	\$ -	\$ 6,045,901
Interest and other revenues	2,882	559	190	103	3,262	224	110	7,330
Total revenues	<u>796,885</u>	<u>2,415,002</u>	<u>1,539,649</u>	<u>1,298,099</u>	<u>3,262</u>	<u>224</u>	<u>110</u>	<u>6,053,231</u>
<b>EXPENDITURES</b>								
Current:								
General government	423,542	-	48,940	-	-	-	-	472,482
Maintenance and operations	578,810	-	-	-	-	-	-	578,810
Debt service:								
Principal	-	650,000	770,000	370,000	-	-	-	1,790,000
Interest	-	1,740,475	1,946,690	913,000	-	-	-	4,600,165
Capital outlay	-	-	-	-	-	1,513	1,705	3,218
Total expenditures	<u>1,002,352</u>	<u>2,390,475</u>	<u>2,765,630</u>	<u>1,283,000</u>	<u>-</u>	<u>1,513</u>	<u>1,705</u>	<u>7,444,675</u>
Excess (deficiency) of revenues over (under) expenditures	(205,467)	24,527	(1,225,981)	15,099	3,262	(1,289)	(1,595)	(1,391,444)
Fund balances - beginning	<u>4,371,655</u>	<u>3,070,054</u>	<u>658,181</u>	<u>799,003</u>	<u>17,713,851</u>	<u>1,221,739</u>	<u>599,015</u>	<u>28,433,498</u>
Fund balances - ending	<u>\$ 4,166,188</u>	<u>\$ 3,094,581</u>	<u>\$ (567,800)</u>	<u>\$ 814,102</u>	<u>\$ 17,717,113</u>	<u>\$ 1,220,450</u>	<u>\$ 597,420</u>	<u>\$ 27,042,054</u>

See notes to the financial statements

**WEST VILLAGES IMPROVEMENT DISTRICT  
CITY OF NORTH PORT, 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, 2015**

Net change in fund balances - total governmental funds	\$ (1,391,444)
Amounts reported for governmental activities in the statement of activities are different because:	
Certain revenues were unavailable for the fund financial statements in the prior year. In the current year, these revenues were recorded in the fund financial statements.	(5,103)
Repayment of long-term liabilities are reported as expenditures in the governmental fund financial statements but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities.	1,790,000
Depreciation of capital assets is not recognized in the governmental fund financial statements but is reported as an expense in the statement of activities.	(1,261,524)
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>23,451</u>
Change in net position of governmental activities	<u><u>\$ (844,620)</u></u>

See notes to the financial statements

**WEST VILLAGES IMPROVEMENT DISTRICT  
CITY OF NORTH PORT, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

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

West Villages Improvement District ("District") was created on July 23, 2004 by House of Representatives Bill No. 1567, Florida. The Bill provides among other things, the power to manage basic services for community development, power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

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

The District is governed by the Board of Supervisors ("Board"), which is composed of five members. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 2004-456 Laws of Florida. The District is being developed by separate Developers. The Developers are Thomas Ranch Land Partners Village, LLP who assumed responsibility as the major developer for Unit 1, replacing Fourth Quarter Properties XXXII, LLC, and became the new majority owner for the District, Lennar Homes, Inc. ("Lennar"), Gran Paradiso I and II, and Pulte Home, LP ("Developers"). At September 30, 2015, a majority of the Board members are affiliated with Thomas Ranch Land Partners Village, LLLP. The District has been divided into three separate development units – Units 1, 2 and 3.

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") Statements. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

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

**Government-Wide and Fund Financial Statements**

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

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.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Government-Wide and Fund Financial Statements (Continued)**

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

### **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.

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 certain land and all platted lots within the District. Assessments are levied each November 1 on property of record as of the previous January. 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.

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.

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 Funds - Unit 1, Unit 2 and Unit 3**

The debt service funds for each unit are used to account for the accumulation of resources for the annual payment of principal and interest on long-term debt for each development unit.

### **Capital Projects Funds - Unit 1, Unit 2 and Unit 3**

This funds accounts for the financial resources to be used for the acquisition or construction of major infrastructure within the District for each development unit.



## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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.

### **Assets, Liabilities and Net Position or Equity**

#### **Restricted Assets**

These assets represent cash and investments set aside pursuant to Bond covenants or other contractual restrictions

#### **Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand and demand deposits (interest and non-interest bearing).

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 as specified in the Bond Indentures.

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

#### **Inventories and Prepaid Items**

Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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.

#### **Capital Assets**

Capital assets which include property, plant and equipment, infrastructure assets, (e.g., roads, sidewalks and similar items) and construction in progress are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) 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.

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

### Assets, Liabilities and Net Position or Equity (Continued)

#### Capital Assets (Continued)

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>
Water Management & Environmental	30
Roadways	25
Gateway Entry	15
Landscape & Lighting	10

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

#### Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned.

#### 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 ratably over the life of the Bonds. Bonds payable are reported net of applicable premiums or discounts. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize Bond premiums and discounts, as well as 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 debt service expenditures.

#### Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future reporting period(s). For example, the District would record deferred outflows of resources on the statement of net position related to debit amounts resulting from current and advance refundings resulting in the defeasance of debt (i.e. when there are differences between the reacquisition price and the net carrying amount of the old debt).

Deferred inflows of resources represent an acquisition of net position that applies to future reporting period(s). For example, when an asset is recorded in the governmental fund financial statements, but the revenue is unavailable, the District reports a deferred inflow of resources on the balance sheet until such times as the revenue becomes available.

#### Fund Equity/Net Position

In the fund financial statements, governmental funds report non spendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Assets, Liabilities and Net Position or Equity (Continued)**

#### Fund Equity/Net Position (Continued)

The District can establish limitations on the use of fund balance as follows:

Committed fund balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Supervisors. Commitments may be changed or lifted only by the Board of Supervisors taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned fund balance – Includes spendable fund balance amounts established by the Board of Supervisors that are intended to be used for specific purposes that are neither considered restricted nor committed. The Board may also assign fund balance as it does when appropriating fund balance to cover differences in estimated revenue and appropriations in the subsequent year's appropriated budget. Assignments are generally temporary and normally the same formal action need not be taken to remove the assignment.

The District first uses committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position in the government-wide financial statements are categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net position related to infrastructure and property, plant and equipment. Restricted net position represents the assets restricted by the District's Bond covenants or other contractual restrictions. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

### **Other Disclosures**

#### Use of Estimates

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

## **NOTE 3 – BUDGETARY INFORMATION**

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

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 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.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
- f) Unused appropriation for annually budgeted funds lapse at the end of the year.

## NOTE 4 – 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's investments were held as follows at September 30, 2015:

<u>Investment</u>	<u>Fair Value</u>	<u>Credit Risk</u>	<u>Maturities</u>
US Bank Money Market Account	\$ 24,287,303	S&P AAAm	Not available
First American Government Obligation Fund Cl Y	22,717	S&P AAAm	37 days
	<u>\$ 24,310,020</u>		

*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 Indentures limit the type of investments held using unspent proceeds.

## NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 3,521,315	\$ -	\$ -	\$ 3,521,315
Infrastructure in progress	45,455,361	-	-	45,455,361
Total capital assets, not being depreciated	48,976,676	-	-	48,976,676
Capital assets, being depreciated				
Water Management and Environmental	8,482,591	-	-	8,482,591
Roadways	7,865,343	-	-	7,865,343
Gateway Entry	4,893,883	-	-	4,893,883
Landscape and Lighting - Unit 3	3,378,980	-	-	3,378,980
Total capital assets, being depreciated	24,620,797	-	-	24,620,797
Less accumulated depreciation for:				
Water Management and Environmental	1,558,290	282,753	-	1,841,043
Roadways	1,730,377	314,614	-	2,044,991
Gateway Entry	1,604,135	326,259	-	1,930,394
Landscape and Lighting - Unit 3	84,475	337,898	-	422,373
Total accumulated depreciation	4,977,277	1,261,524	-	6,238,801
Total capital assets, being depreciated, net	19,643,520	(1,261,524)	-	18,381,996
Governmental activities capital assets, net	\$ 68,620,196	\$ (1,261,524)	\$ -	\$ 67,358,672

Depreciation expense was charged to maintenance and operations.

Costs incurred to-date relate to Development Unit No. 1, No. 2, and No. 3. Certain improvements were acquired directly from the Developers. The total anticipated project costs have been estimated at approximately \$30 million for Unit No. 1, \$34 million for Unit No. 2, and \$47 million for Unit No. 3. Lennar has agreed to complete the infrastructure improvements for Unit No. 3 which are not paid from the proceeds of the Unit 3 Bonds. Certain improvements will be conveyed to other entities upon completion of the various developments.

## NOTE 6 – LONG TERM LIABILITIES

### **Bonds Payable**

On May 3, 2007, the District issued \$34,895,000 of Series 2007 Special Assessment Bonds for Unit of Development No. 1. Bonds are due on May 1, 2038 with a fixed interest rate of 5.50%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1. Principal on the 2007 Bonds is to be paid serially commencing May 1, 2009 through May 1, 2038.

On November 5, 2005, the District issued \$38,005,000 of Special Assessment Bonds, Series 2005 for Unit of Development No. 2, consisting of \$32,365,000 Term Bonds Series 2005 due on May 1, 2036 with a fixed interest rate of 5.80% and \$5,640,000 Term Bonds Series 2005 due on May 1, 2015 with a fixed interest rate of 5.350%. The Bonds were issued to pay off the Bond Anticipation Notes, Series 2005 and to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1. Principal on the 2005 Bonds is to be paid serially commencing May 1, 2007 through May 1, 2036.

## **NOTE 6 – LONG TERM LIABILITIES (Continued)**

### **Bonds Payable (Continued)**

On April 19, 2006, the District issued \$40,840,000 of Series 2006 Special Assessment Bonds for Unit of Development No. 3. Bonds are due on May 1, 2037 with a fixed interest rate of 5.50%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1. Principal on the Bonds is to be paid serially commencing May 1, 2008 through May 1, 2037.

The Series 2005, 2006, and 2007 Bonds may, at the option of the District, be called for redemption as a whole, at any time, or in part on any interest payment date on or after May 1, 2015, May 1, 2016 and May 1, 2017, respectively, at a redemption price set in the respective Bond Indentures. The Series 2005, 2006, and 2007 Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the respective Bond Indentures.

### **Reserve Requirements**

The Bond Indentures require that the District maintain adequate funds in the reserve accounts to meet the debt service reserve requirements as defined in the Bond Indentures. In addition, the Bond Indentures have 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. Due to the delinquent assessments, and prior fiscal year draws on the reserve accounts to make principal and interest payments, the District reported deficits of approximately \$935,000 and \$2,313,000 in the Series 2006 and 2005 debt service reserve accounts, respectively, at September 30, 2015. Therefore, the District is not in compliance with the reserve requirements outlined in the respective Bond Indentures as of September 30, 2015. The District is compliance with the reserve requirement for the Series 2007 Bonds as of September 30, 2015.

### **Series 2006 – Unit 3 Restructuring**

During the prior fiscal year, the District prepaid \$2,215,000 of Series 2006 bonds. The prepayment was an extraordinary mandatory redemption as outlined in the Bond Indenture. During the fiscal year ended September 30, 2014, Lennar purchased the Gran Paradiso Community Center from the District. As Lennar is both the Developer and Bondholder of Unit 3, it purchased the Community Center by eliminating outstanding Series 2006 Bonds in the amount of \$7,190,000. In addition, the Trustee delivered a notice of principal reduction and status of bond payments for the Unit 3 Series 2006 Bonds. Per the notice: 1) the payment on the Series 2006 Bonds has been current since November 1, 2013 and 2) on May 2, 2014, \$10,650,000 of outstanding principal on the Bonds was cancelled, resulting in an outstanding principal balance of \$16,600,000 as of the prior fiscal year end. As a result of these transactions, there was a gain on cancellation of debt of \$10,691,937 in the prior fiscal year. As a result, the District is now current on its Series 2006 Bond payments.

### **Series 2007 – Unit 1**

During the prior fiscal year, the District had a change in the majority Developer from Fourth Quarter Properties XXXII, LLC, to Thomas Ranch Land Partners Village, LLLP. As a result of receiving significant (delinquent) assessments from Thomas Ranch Land Partners Village, LLLP, the District was able to make past due debt services payments on the Unit 1 Series 2007 Bonds in the amounts of \$1,755,000 and \$929,761 for principal and interest, respectively. The District is now current with the Series 2007 Bond payments. The reserve requirement was also replenished during the current fiscal year.

### **Series 2005 – Unit 2**

As a result of receiving significant (delinquent) assessments from Thomas Ranch Land Partners Village, LLLP, the District was able to make past due debt services payments on the Unit 2 Series 2005 Bonds in the amounts of \$1,340,000 and \$1,033,086 for principal and interest, respectively. However, the District had approximately \$1.3 million in delinquent assessments still due from Major Landowners as of September 30, 2015 related to the Unit 2 Series 2005 Bonds. Consequently, the District did not make the current fiscal year principal payment of \$770,000 on the Unit 2 Series 2005 Bonds and now owes \$1,500,000 to the Bondholders. The District's failures to make its scheduled debt service payments when they are due are considered events of default. See Note 13 – Subsequent Events for additional information.

## NOTE 6 – LONG TERM LIABILITIES (Continued)

### Long-term debt activity

Changes in long-term liability activity for the fiscal year ended September 30, 2015 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Bond Series 2007	\$ 31,645,000	\$ -	\$ 650,000	\$ 30,995,000	\$ 690,000
Bond Series 2005	33,680,000	-	-	33,680,000	2,310,000
Bond Series 2006	16,600,000	-	370,000	16,230,000	390,000
Total	<u>\$ 81,925,000</u>	<u>\$ -</u>	<u>\$ 1,020,000</u>	<u>\$ 80,905,000</u>	<u>\$ 3,390,000</u>

\* Includes \$1,500,000 due to bondholders for the Series 2005 Bond which was not paid.

At September 30, 2015, the scheduled debt service requirements on the long - term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2016	\$ 3,390,000	\$ 4,505,010	\$ 7,895,010 *
2017	2,000,000	4,404,415	6,404,415
2018	2,115,000	4,294,735	6,409,735
2019	2,240,000	4,178,580	6,418,580
2020	2,370,000	4,055,675	6,425,675
2021-2025	14,070,000	18,170,975	32,240,975
2026-2030	18,640,000	13,836,535	32,476,535
2031-2035	24,705,000	8,093,450	32,798,450
2036-2038	11,375,000	1,356,065	12,731,065
Total	<u>\$ 80,905,000</u>	<u>\$ 62,895,440</u>	<u>\$ 143,800,440</u>

\* Includes the missed debt service payments due for the Series 2005 Bond that was not paid.

## NOTE 7 – DELINQUENT ASSESSMENTS

The Developers own a significant portion of land within the District; therefore, assessment revenues in the general and debt service funds include the assessments levied on those lots owned by the Developers. However, certain Major Landowners did not pay a portion of their assessments. As of September 30, 2015, there was approximately \$1.3 million of delinquent assessments due from the Major Landowners from fiscal year 2015 and prior fiscal years.

## NOTE 8 – EVENTS OF DEFAULT

The non-payment of the Series 2005 principal due on May 1, 2015 is considered an event of default. The occurrence of an event of default creates certain remedial rights and remedies in favor of the Trustee. Pursuant to the Indentures, the owners of a majority in aggregate principal amount of the Bonds then outstanding may direct the Trustee with regard to such rights and remedies following an event of default and upon provision of indemnity satisfactory to the Trustee and in accordance with provisions of the Indenture. During the current fiscal year, approximately \$49,000 of expenditures was incurred in the Unit 2 Debt Service Fund for services performed related to the events of default, legal services, and related matters.

## **NOTE 9 – CONCENTRATION**

The District's activity is dependent upon the continued involvement of the Developers and Major Landowners, the loss of which could have a material adverse effect on the District's operations.

## **NOTE 10 – MANAGEMENT COMPANY**

The District has contracted with a management company to perform management advisory services, which include financial and accounting advisory services. Certain employees of the management company also serve as officers of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, computer and other administrative costs.

## **NOTE 11 – 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.

## **NOTE 12 – COMMITMENTS AND CONTINGENCIES**

On June 26, 2006, the District entered into a General Principles of Agreement with the City of North Port ("City") and Fourth Quarter Properties XXXII, LLC. Under the agreement, the District is responsible for the construction and equipping of a police substation and fire and emergency medical facilities, which are eligible to be reimbursed from impact fees collected within the District; dedication of certain lands for community parks and general government use; master plan and design of parks within the District eligible to be reimbursed from impact fees collected within the District; as well as other items as described in the General Principles of Agreement. Note, this is a summary; the agreement includes more specific content and provisions. The Agreement referred to above was assumed by the new major Developer Mattamy.

On June 27, 2006, Fourth Quarter Properties XXXII, LLC (Fourth Quarter) entered into a Guarantee Agreement in favor of West Villages Improvement District. Under the agreement, Fourth Quarter unconditionally guarantees to transfer real property to the District or North Port as outlined in the General Principles of Agreement denoted above. Fourth Quarter also acknowledges that the District may not be able to reimburse or pay for this property unless it is authorized to do so pursuant to its enabling legislation and the applicable requirements of either Chapter 170 or 298, Florida Statutes. This agreement also states that Fourth Quarter unconditionally agrees to advance funds to the District in a timely fashion as are necessary for the construction and equipping as outlined in the General Principles of Agreement; however, Fourth Quarter shall be entitled to reimbursement of any such advances from impact fees collected within the District and/or future unit development funding. Note, this is a summary; the agreement includes more specific content and provisions. The Agreement referred to above was assumed by the new major Developer Mattamy.

## **NOTE 13 – SUBSEQUENT EVENTS**

### **Series 2005 Scheduled Debt Service Payments**

Subsequent to fiscal year end, the May 2015 principal payment due for the Series 2005 Bond was not paid, resulting in an additional event of default.

### **Purchase of land**

Subsequent to year end the District purchased land for a school and park site. The District paid \$4,950,000 for the school site and \$1,980,000 for the park site.



**WEST VILLAGES IMPROVEMENT DISTRICT  
CITY OF NORTH PORT, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Assessments	\$ 861,530	\$ 800,951	\$ 794,003	\$ (6,948)
Interest and other revenues	1,000	2,665	2,882	217
Total revenues	<u>862,530</u>	<u>803,616</u>	<u>796,885</u>	<u>(6,731)</u>
<b>EXPENDITURES</b>				
Current:				
General government	530,986	563,570	423,542	140,028
Maintenance and operations	588,500	562,142	578,810	(16,668)
Total expenditures	<u>1,119,486</u>	<u>1,125,712</u>	<u>1,002,352</u>	<u>123,360</u>
Excess (deficiency) of revenues over (under) expenditures	(256,956)	(322,096)	(205,467)	116,629
<b>OTHER FINANCING SOURCES (USES)</b>				
Use of fund balance	256,956	-	-	-
Total other financing sources (uses)	<u>256,956</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (322,096)</u>	<u>(205,467)</u>	<u>\$ 116,629</u>
Fund balance - beginning			<u>4,371,655</u>	
Fund balance - ending			<u>\$ 4,166,188</u>	

See notes to required supplementary information

**WEST VILLAGES IMPROVEMENT DISTRICT  
CITY OF NORTH PORT, 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 in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The fiscal year 2015 general fund budget was amended to decrease revenues by \$58,914 and increase appropriations by \$6,226. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2015. The actual general fund expenditures for the current fiscal year were lower than budgeted amounts due primarily to anticipated costs which were not incurred in the current fiscal year.



**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  
West Villages Improvement District  
City of North Port, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of West Villages Improvement District, City of North Port, Florida ("District") as of and for the fiscal year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated June 20, 2016, which includes an emphasis of matter paragraph.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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*.

We noted certain matters that we reported to management of the District in a separate letter June 20, 2016.

The District's responses to the findings identified in our audit are described in the accompanying Management Letter. We did not audit the District's responses and, accordingly, we express no opinion on them.

**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.

June 20, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE  
REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY  
RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Board of Supervisors  
West Villages Improvement District  
City of North Port, Florida

We have examined West Villages Improvement District, City of North Port, Florida's ("District") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2015. Management is responsible for District's compliance with those requirements. Our responsibility is to express an opinion on 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 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 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, 2015.

This report 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, management, and the Board of Supervisors of West Villages Improvement District, City of North Port, Florida and is not intended to be and should not be used by anyone other than these specified parties.

June 20, 2016



**MANAGEMENT LETTER PURSUANT TO THE RULES OF  
THE AUDITOR GENERAL FOR THE STATE OF FLORIDA**

To the Board of Supervisors  
West Villages Improvement District  
City of North Port, Florida

**Report on the Financial Statements**

We have audited the accompanying basic financial statements of West Villages Improvement District ("District") as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated June 20, 2016, which includes an emphasis of matter paragraph.

**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 and Schedule**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 20, 2016, should be considered in conjunction with this management letter.

**Purpose of this Letter**

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the financial statements of the District, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations.**
- II. Status of prior year findings and recommendations.**
- III. Compliance with the Provisions of the Auditor General of the State of Florida.**

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, as applicable, management, and the Board of Supervisors of West Villages Improvement District, City of North Port, Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank West Villages Improvement District, City of North Port, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements and the courtesies extended to us.

June 20, 2016

## REPORT TO MANAGEMENT

### I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

#### **2015-01 Debt Service Reserve Requirements:**

Observation: The debt service reserve requirements for the Series 2006 Unit 3 Bonds and the Series 2005 Unit 2 Bonds were not met as of September 30, 2015. In the prior fiscal year, funds from the debt service reserve accounts were used to cover partial debt obligations.

Recommendation: The District should take the necessary steps to replenish the reserve accounts.

Management Response: In prior Fiscal Years, several large property owners did not pay their property taxes (which included assessments for the District). In January of 2012, the WVID Board of Supervisors voted to convert its assessment process for delinquent residential acreage from the Uniform Method Of Collection under Chapter 197, Florida Statutes, that it has been using, to the direct invoice method of collection under Chapter 170, Florida Statutes, for its Fiscal Year 2012/2013 assessments. This action was intended to provide more flexibility to WVID by allowing it to foreclose on delinquent residential acreage.

In Fiscal Year 2012/2013, a new majority landowner assumed ownership of Unit Of Development Number Three and the Debt Service payments for the Series 2006 Unit Three Bonds are now current. The WVID continues to work with and providing information to its Series 2006 (Unit Three) bondholders, and Trustee in finding a resolution to the Debt Service Reserve Fund issue.

In Fiscal Year 2013/2014, delinquent property taxes were paid by a new Developer for the Unit One and a portion of Unit Two properties. The Debt Service payments for the Series 2007 Unit One Bonds are now current. The WVID continues to work with and providing information to its Series 2005 (Unit Two) bondholders, tax-certificate holders, and potential developers in regard to the delinquent residential property.

#### **2015-02 Financial Condition Assessment:**

Observation: As a result of performing financial condition assessment procedures, it was determined that a deteriorating financial condition exists. The District had approximately \$1.3 million in delinquent assessments due from a Major Landowner as of September 30, 2015. Consequently, the District did not make certain scheduled debt service payments in the current and prior fiscal years. The District's failures to make its scheduled debt service payments when they are due are considered events of default. Subsequent to fiscal year end, the fiscal year 2015 principal payment due for the Series 2005 Bond was also not paid resulting in an additional event of default.

Recommendation: The District should take the necessary steps to alleviate the deteriorating financial condition.

Management Response: In prior Fiscal Years, several large property owners did not pay their property taxes (which included assessments for the District). In January of 2012, the WVID Board of Supervisors voted to convert its assessment process for delinquent residential acreage from the Uniform Method Of Collection under Chapter 197, Florida Statutes, that it has been using, to the direct invoice method of collection under Chapter 170, Florida Statutes, for its Fiscal Year 2012/2013 assessments. This action was intended to provide more flexibility to WVID by allowing it to foreclose on delinquent residential acreage.

In Fiscal Year 2012/2013, a new majority landowner assumed ownership of Unit Of Development Number Three and the Debt Service payments for the Series 2006 Unit Three Bonds are now current.

In Fiscal Year 2013/2014, delinquent property taxes were paid by a new Developer for the Unit One and a portion of Unit Two properties. The Debt Service payments for the Series 2007 Unit One Bonds are now current. The WVID continues to work with and providing information to its Series 2005 (Unit Two) bondholders, tax-certificate holders, and potential developers in regard to the delinquent residential property.

## REPORT TO MANAGEMENT (Continued)

### II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

2012-01, 2013-01, 2014-01 Debt Service Reserve Requirement: Matter is repeated again in the current fiscal year – see finding no. 2015-01 above.

2012-02, 2013-02, 2014-02 Financial Condition Assessment: Matter is repeated again in the current fiscal year – see finding no. 2015-02 above.

### III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2014, except as noted above.

2. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2015, except as noted above.

3. 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.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2015, except as noted above.

4. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.

5. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2015 financial audit report.

6. In connection with our audit, we determined that the District has met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes. The District failed to make certain debt service payments on the Bonds. We applied financial condition assessment procedures pursuant to Rule 10.556(7) and determined that a deteriorating financial condition was noted. See Findings section above for additional information. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of the financial information provided by same.