

**LAKESIDE LANDINGS  
COMMUNITY DEVELOPMENT DISTRICT  
CITY OF WINTER HAVEN, FLORIDA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2014**

**LAKESIDE LANDINGS COMMUNITY DEVELOPMENT DISTRICT  
CITY OF WINTER HAVEN, FLORIDA**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
Lakeside Landings Community Development District  
City of Winter Haven, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Lakeside Landings Community Development District, City of Winter Haven, Florida ("District") as of and for the fiscal year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

Management has not included the blended component unit of the District, Special Purpose Entity (a Special Revenue Fund that accounts for the activities of the Eastland Group Lakeside Landings, LLC ("SPE")), in the District's financial statements. Accounting principles generally accepted in the United States of America require the Special Revenue Fund to be presented as a major governmental fund and financial information about the Special Revenue Fund to be part of the governmental activities, thus increasing that activity's assets, liabilities, revenues, and expenses, and changing its net position. The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses of the governmental activities and the omitted major fund is not reasonably determinable.

In our opinion, because of the omission of the Special Revenue Fund, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Special Revenue Fund and the governmental activities as of September 30, 2014, or the changes in financial position thereof for the fiscal year then ended.

In addition, in our opinion, except for the effects of not including financial information for the Special Revenue Fund, as discussed above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund and Debt Service Fund of the District, as of September 30, 2014, and the respective changes in financial position, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 6 and other referenced notes to the basic financial statements, the District's financial conditions continue to deteriorate. The General Fund and Debt Service Fund had deficit fund balances of (\$48,375) and (\$9,172,759) at September 30, 2014. Due to the Developer's failure to pay its full share of assessments in the prior fiscal years, the District did not have sufficient funds in the current and prior fiscal years to make certain scheduled debt service payments and as a result, the payments were not made. The District's failures to make its scheduled debt service payments when they are due are considered events of default.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 October 21, 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 October 21, 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.

October 21, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### FINANCIAL HIGHLIGHTS

- The liabilities of the District exceeded its assets at the close of the most recent fiscal year resulting in a net position deficit balance of (\$6,771,463).
- The change in the District's total net position in comparison with the prior fiscal year was (\$749,856), 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, 2014, the District's governmental funds reported combined ending fund balances of (\$9,221,134), a decrease of (\$606,966) in comparison with the prior fiscal year.

### 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 and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

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

The Special Purpose Entity ("SPE"), although legally separate from the District, functions for all practical purposes as a component unit of the government. However, the District has no access to the financial records of the SPE; therefore, the SPE was omitted from the District's financial report.

#### 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 maintains only one category of funds: 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 outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

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

The District maintains two 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 and debt service funds both of which are considered major funds.

The District did not adopt an annual budget for its general fund as there were no Board meetings during the current fiscal year therefore a budgetary comparison schedule has not been provided.

### 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, liabilities exceeded assets at the close of the fiscal year ended September 30, 2014.

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

	NET POSITION SEPTEMBER 30,	
	2014	2013
Assets, excluding capital assets	\$ 59,485	\$ 72,946
Capital assets, net of depreciation	5,704,911	5,907,801
Total assets	<u>5,764,396</u>	<u>5,980,747</u>
Liabilities, excluding long-term liabilities	9,495,859	8,902,354
Long-term liabilities	3,040,000	3,100,000
Total liabilities	<u>12,535,859</u>	<u>12,002,354</u>
Net position		
Net investment in capital assets	(3,975,089)	(3,772,199)
Unrestricted	(2,796,374)	(2,249,408)
Total net position	<u>\$ (6,771,463)</u>	<u>\$ (6,021,607)</u>

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

A portion of 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 District's net position decreased during the most recent fiscal year. A majority of the decrease is the result of the non-payment of the fiscal year 2014 SPE contributions which resulted in the cost of operations and depreciation expense exceeding ongoing program revenues.

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

CHANGES IN NET POSITION		
FISCAL YEAR ENDED SEPTEMBER 30,		
	2014	2013
Revenues:		
Program revenues		
Operating grants and contributions	\$ 13	\$ 32
General revenues	-	64,361
Total revenues	<u>13</u>	<u>64,393</u>
Expenses:		
General government	22,017	38,792
Maintenance and operations	211,277	219,262
Interest on long-term debt	516,575	516,575
Total expenses	<u>749,869</u>	<u>774,629</u>
Change in net position	<u>(749,856)</u>	<u>(710,236)</u>
Net position - beginning, previously stated		(5,071,577)
Effect of adoption of GASB No. 65 (Note 2)		(239,794)
Net position - beginning, as restated	<u>(6,021,607)</u>	<u>(5,311,371)</u>
Net position - ending	<u>\$ (6,771,463)</u>	<u>\$ (6,021,607)</u>

The District did not have significant revenues during the current fiscal year. The majority of the decrease in revenues is due to the fact that the District reported Settlement Revenue for its outstanding debts which were forgiven by vendors in the prior fiscal year, which did not occur in the current fiscal year. As noted above and in the statement of activities, the cost of all governmental activities was \$749,869.

## GENERAL BUDGETING HIGHLIGHTS

An operating budget is required for the District pursuant to the requirements of Florida Statutes. However, the District failed to adopt a budget in the current year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At September 30, 2014, the District had \$6,922,251 invested in land, buildings, roadways, and a stormwater system for its governmental activities. In the government-wide financial statements, depreciation of (\$1,217,340) has been taken, which resulted in a net book value of \$5,704,911. More detailed information about the District's capital assets is presented in the notes of the financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

### Capital Debt

At September 30, 2014, the District had \$9,680,000 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 NEXT YEARS BUDGETS AND OTHER EVENTS

With consent of the Bondholders and in accordance with the Purchase Agreement, the SPE sold the Property to D.R. Horton free and clear of all the Special Assessments with the transaction closed on or about December 21, 2015. As part of the sale of land, certain net proceeds were generated from the sale to Horton which were then deposited into the Revenue Account for the benefit of the Bondholders. At the completion of the sales transaction, the Bondholders desired to apply all of the monies remaining in the Trust Estate, as a final distribution for the Bonds in exchange for all Bonds outstanding, which were cancelled following the final distribution. On January 25, 2016, the Trustee made a distribution on the Series 2007A Bonds in the aggregate amount of \$1,005,006 and a distribution on the Series 2007B Bonds in the aggregate amount of \$1,899,012. At the completion of the Final Distribution, all the Outstanding Bonds were cancelled in full and the Trustee closed the Trust Estate for the Bonds under the Indenture.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, land owners, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Lakeside Landings Community Development District's Finance Department at 12051 Corporate Boulevard, Orlando, Florida, 32817.



**LAKESIDE LANDINGS COMMUNITY DEVELOPMENT DISTRICT  
CITY OF WINTER HAVEN, FLORIDA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014**

	Governmental Activities
<b>ASSETS</b>	
Cash	\$ 2,316
Interest receivable	2
Restricted assets:	
Cash equivalents	57,167
Capital assets:	
Nondepreciable	1,850,000
Depreciable, net	3,854,911
Total assets	5,764,396
 <b>LIABILITIES</b>	
Accounts payable	54,744
Due to Bondholders:	
Principal	6,640,000
Interest	2,585,875
Accrued interest payable	215,240
Non-current liabilities:	
Due within one year*	65,000
Due in more than one year	2,975,000
Total liabilities	12,535,859
 <b>NET POSITION</b>	
Net investment in capital assets	(3,975,089)
Unrestricted	(2,796,374)
Total net position	\$ (6,771,463)

\* The missed debt service payments due for the Series 2007 Bonds is reflected in the due to Bondholders account balance.

See notes to the financial statements

**LAKESIDE LANDINGS COMMUNITY DEVELOPMENT DISTRICT  
CITY OF WINTER HAVEN, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:			
Governmental activities:			
General government	\$ 22,017	\$ -	\$ (22,017)
Maintenance and operations	211,277	-	(211,277)
Interest on long-term debt	516,575	13	(516,562)
Total governmental activities	749,869	13	(749,856)
			(749,856)
			(6,021,607)
			\$ (6,771,463)

See notes to the financial statements

**LAKESIDE LANDINGS COMMUNITY DEVELOPMENT DISTRICT  
CITY OF WINTER HAVEN, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2014**

	Major Funds		Total Governmental Funds
	General	Debt Service	
<b>ASSETS</b>			
Cash and equivalents	\$ 2,316	\$ 57,167	\$ 59,483
Due from other funds	-	1,007	1,007
Interest receivable	-	2	2
Total assets	<u>\$ 2,316</u>	<u>\$ 58,176</u>	<u>\$ 60,492</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 49,684	\$ 5,060	\$ 54,744
Due to other funds	1,007	-	1,007
Due to Bondholders	-	9,225,875	9,225,875
Total liabilities	<u>50,691</u>	<u>9,230,935</u>	<u>9,281,626</u>
Fund balances:			
Unassigned	(48,375)	(9,172,759)	(9,221,134)
Total fund balances	<u>(48,375)</u>	<u>(9,172,759)</u>	<u>(9,221,134)</u>
Total liabilities and fund balances	<u>\$ 2,316</u>	<u>\$ 58,176</u>	<u>\$ 60,492</u>

See notes to the financial statements

**LAKESIDE LANDINGS COMMUNITY DEVELOPMENT DISTRICT  
CITY OF WINTER HAVEN, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014**

Fund balance - governmental funds \$ (9,221,134)

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 any accumulated depreciation, in the net position of the government as a whole.

Cost of capital assets	6,922,251	
Accumulated depreciation	<u>(1,217,340)</u>	5,704,911

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

Accrued interest payable	(215,240)	
Bonds payable	<u>(3,040,000)</u>	<u>(3,255,240)</u>

Net position of governmental activities		<u><u>\$ (6,771,463)</u></u>
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See notes to the financial statements

**LAKESIDE LANDINGS COMMUNITY DEVELOPMENT DISTRICT  
CITY OF WINTER HAVEN, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	Major Funds		Total Governmental Funds
	General	Debt Service	
<b>REVENUES</b>			
Interest income	\$ -	\$ 13	\$ 13
Total revenues	-	13	13
<b>EXPENDITURES</b>			
Current:			
General government	12,721	9,296	22,017
Maintenance and operations		8,387	8,387
Debt service:			
Principal	-	60,000	60,000
Interest	-	516,575	516,575
Total expenditures	12,721	594,258	606,979
Excess (deficiency) of revenues over (under) expenditures	(12,721)	(594,245)	(606,966)
<b>OTHER FINANCING SOURCES/(USES)</b>			
Transfer in		600	600
Transfer (out)	(600)		(600)
Total other financing sources/(uses)	(600)	600	-
Net change in fund balances	(13,321)	(593,645)	(606,966)
Fund balances - beginning	(35,054)	(8,579,114)	(8,614,168)
Fund balances - ending	\$ (48,375)	\$ (9,172,759)	\$ (9,221,134)

See notes to the financial statements

**LAKESIDE LANDINGS COMMUNITY DEVELOPMENT DISTRICT  
CITY OF WINTER HAVEN, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

Net change in fund balances - total governmental funds	\$ (606,966)
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation of capital assets is not recognized in the governmental fund statements but is reported as an expense in the statement of activities.	(202,890)
Repayments of long-term liabilities are reported as expenditures in the governmental fund financial statement but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities.	<u>60,000</u>
Change in net position of governmental activities	<u><u>\$ (749,856)</u></u>

See notes to the financial statements

**LAKESIDE LANDINGS COMMUNITY DEVELOPMENT DISTRICT  
CITY OF WINTER HAVEN, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

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

Lakeside Landings Community Development District ("District") was created on August 14, 2006, by Ordinance No. O-06-84 enacted by the Board of City Commissioners of the City of Winter Haven, Florida, pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes. The Act provides among other things, the power to manage basic services for community development, power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

The District was established for the 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 Supervisors are elected by the owners of the property within the District. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes. At September 30, 2014, a majority of the Board Members are affiliated with the SPE.

From August 16, 2011 until January 20, 2016 the Board did not meet.

The Board has the 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 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.

**Blended Component Unit**

The Special Purpose Entity ("SPE") owns, manages, maintains, and will sell and/or dispose of the Property for the benefit of the Bondholders. The SPE should be reported as a Special Revenue Fund. However, the District has no access to the financial records of the SPE; therefore, the SPE was omitted from the District's financial report.

**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 benefited lands within the District. Operations and maintenance assessments are levied annually on property to pay for the operations and maintenance of the District. The fiscal year for which annual assessments are levied begins on October 1 with discounts available for payments through February 28 and become delinquent on April 1. For debt service assessments, amounts collected as advance payments are used to prepay a portion of the Bonds outstanding. Otherwise, assessments are collected annually to provide funds for the debt service on the portion of the Bonds which are not paid with prepaid assessments.

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 Fund**

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



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

### 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.

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 Inter-local 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 Indenture.

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

#### 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.

#### Capital Assets

Capital assets which include property, plant and equipment, and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the governmental 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.

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 – buildings and other	25
Infrastructure – roadways and other	25
Infrastructure – stormwater system	25

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.

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

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

#### 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, as well as issuance costs, are deferred and amortized ratably over the life of the Bonds. Bonds payable are reported net of applicable premiums or discounts. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize 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.

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 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.

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

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

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

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.

#### 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 public comments.
- c) Prior to October 1, the budget is legally adopted by the District Board.
- d) All budget changes must be approved by the District Board.
- 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.

The District did not adopt an annual budget for its general fund as there were no Board meetings during the current fiscal year therefore a budgetary comparison schedule has not been provided.

## **NOTE 4 – DEPOSITS**

The District's cash balances except for the balances in the debt service fund 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.

## NOTE 5 – CAPITAL ASSETS

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

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land and land improvements	\$ 1,850,000	\$ -	\$ -	\$ 1,850,000
Total capital assets, not being depreciated	1,850,000	-	-	1,850,000
Capital assets, being depreciated				
Infrastructure - buildings and other	1,149,046	-	-	1,149,046
Infrastructure - roadways and other	2,831,862	-	-	2,831,862
Infrastructure - stormwater system	1,091,343	-	-	1,091,343
Total capital assets, being depreciated	5,072,251	-	-	5,072,251
Less accumulated depreciation for:				
Infrastructure - buildings and other	(229,810)	(45,962)	-	(275,772)
Infrastructure - roadways and other	(566,370)	(113,274)	-	(679,644)
Infrastructure - stormwater system	(218,270)	(43,654)	-	(261,924)
Total accumulated depreciation	(1,014,450)	(202,890)	-	(1,217,340)
Total capital assets, being depreciated, net	4,057,801	(202,890)	-	3,854,911
Governmental activities capital assets	\$ 5,907,801	\$ (202,890)	\$ -	\$ 5,704,911

The infrastructure intended to serve the District has been estimated at a total cost of approximately \$17,500,000. Of that amount, approximately \$8,000,000 is to be funded from Series 2007 Bonds; and the remainder, approximately \$9,500,000, is to be funded by the Developer or future bond proceeds. The infrastructure will consist of roadway improvements, stormwater management facilities, sanitary lift station and utilities, an entry feature, signage, landscaping, neighborhood parks, and recreational facilities. The District acquired all of the land and a portion of the infrastructure improvements from the Developer. During a prior year, \$1,654,088 was conveyed to another governmental entity for ownership and maintenance. The 2007 project was substantially completed in a prior fiscal year.

Depreciation expense was charged to the infrastructure and maintenance costs function.

## NOTE 6 – LONG TERM LIABILITIES

On April 13, 2007, the District issued \$3,350,000 of Special Assessment Bonds, Series 2007A and \$6,470,000 Series 2007B. The Series 2007A Bonds are due May 1, 2038 with a fixed interest rate of 5.50%; the Series 2007B Bonds are due May 1, 2013, with a fixed interest rate of 5.25%. 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, commencing November 1, 2007 for both Series 2007A and Series 2007B. Principal on the Series 2007A Bond is to be paid annually on each May 1, commencing May 1, 2009. The Series 2007B Bonds were due in one lump sum payment on May 1, 2013.

The Series 2007A Bonds are subject to redemption at the option of the District prior to their maturity. The Series 2007B Bonds are not subject to optional redemption. The Bonds are subject to extraordinary mandatory redemption prior to their selected maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture. The District collected 2007B prepaid assessments from lot closings in prior fiscal years; however, the District has not made any redemption as the Bonds are in default and the Trustee is preserving the Trust estate to pay for expenses related to the ongoing events of default. See Note 12 for additional information subsequent to fiscal year end.

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

The Bond Indenture established a debt service reserve requirement as well as other 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.

In prior fiscal years, the Developer failed to make payment on the special assessments which ultimately secure the Bonds. In the prior fiscal year, the Bondholders and the Developer entered into an agreement to deed the delinquent lots to the SPE in lieu of the District initiating foreclosure proceedings. The District and the SPE entered into an agreement whereby, the District will defer collection of the debt service assessments encumbering the property resulting in an abeyance of debt service assessments. As a result, the Trustee did not receive sufficient payments from the District for payment of debt service due on the Bonds and payable in the current and prior fiscal years and the debt service payments were not made. The amounts have been accrued on the fund financial statements as due to Bondholders and reflect \$6,640,000 and \$2,585,875 due for principal and interest, respectively. The failure by the District to pay its debt service is considered an event of default.

The District did not have sufficient funds in the general fund to finance current year operations; therefore, as in the prior year, a portion of the funds needed to finance current year expenditures were transferred from the Debt Service Reserve accounts to cover the costs of the District’s operations. As a result of these payments, there is a deficit of approximately (\$301,000) and (\$330,000) respectively in the Series 2007A and 2007B Debt Service Reserve accounts as of September 30, 2014.

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 2007	\$ 9,680,000	\$ -	\$ -	\$ 9,680,000	\$ 6,705,000 *
Total	\$ 9,680,000	\$ -	\$ -	\$ 9,680,000	\$ 6,705,000

\* Includes the missed debt service payments on the Series 2007 Bonds

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

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2015	6,705,000 *	\$ 3,102,450 *	\$ 9,807,450
2016	65,000	163,625	228,625
2017	70,000	160,050	230,050
2018	75,000	156,200	231,200
2019	80,000	152,075	232,075
2020-2024	450,000	691,625	1,141,625
2025-2029	610,000	551,100	1,161,100
2030-2034	805,000	363,275	1,168,275
2035-2038	820,000	115,500	935,500
Total	\$ 9,680,000	\$ 5,455,900	\$ 15,135,900

\* Includes the missed debt service payments on the Series 2007 Bonds

## **NOTE 7 – DEFICIT FUND EQUITY**

The general fund had a deficit fund balance of (\$48,375) at September 30, 2014. The deficit is expected to be covered by assessments collected in the subsequent period and transfers from other funds. In addition, the debt service fund had a deficit fund balance of (\$9,172,759).

## **NOTE 8 – SPE AGREEMENT**

As a result of prior years delinquent assessments, on July 12, 2011, the Bondholders and the Developer entered into an agreement to deed the lots to a special purpose entity in lieu of the District initiating foreclosure proceedings. Therefore an SPE was created for the Trustee for the benefit of the owners of the Bond, to own, manage, maintain and dispose of property in an orderly and efficient manner. The lots that were delinquent in paying assessments were deeded to the SPE. Consequently, the Developer is no longer involved with the District. The District and the SPE entered into an agreement whereby, the District will defer collection of the debt service assessments encumbering the property resulting in an abeyance of debt service assessments. The operation and maintenance assessments for the lots will be directly billed and collected from the SPE. All field maintenance costs will be paid directly by the SPE. The SPE did not pay its share of current fiscal year assessments.

## **NOTE 9 – EVENT OF DEFAULT**

On November 17, 2009, the District declared the occurrence of 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 Indenture, 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. Per the Bondholder Direction and Consent Agreement the District is required to have a minimum of \$75,000 in the Trust Estate. At September 30, 2014, there was \$57,167 remaining in the Trust Estate.

## **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. These risks were not covered by commercial insurance for the current fiscal year.

## **NOTE 12 – SUBSEQUENT EVENTS**

### **Events of Default**

Subsequent to fiscal year end, certain scheduled debt service payments were due on the 2007A and 2007B Bonds. The District and the SPE entered into an agreement whereby, the District will defer collection of the debt service assessments encumbering the property resulting in an abeyance of debt service assessments. Therefore, sufficient amounts were not available to fund the scheduled debt service payments. As a result, certain scheduled debt service payments were not made. The failure by the District to pay its debt service is considered an event of default.

## **NOTE 12 – SUBSEQUENT EVENTS (Continued)**

### **Sale of SPE Land**

With consent of the Bondholders and in accordance with the Purchase Agreement, the SPE sold the Property to D.R. Horton free and clear of all the Special Assessments with the transaction closed on or about December 21, 2015. As part of the sale of land, certain net proceeds were generated from the sale to Horton which were then deposited, into the Revenue Account for the benefit of the Bondholders. At the completion of the sales transaction, the Bondholders desired to apply all of the monies remaining in the Trust Estate, as a final distribution for the Bonds in exchange for all Bonds outstanding, which were cancelled following the final distribution. On January 25, 2016, the Trustee made a distribution on the Series 2007A Bonds in the aggregate amount of \$1,005,006 and a distribution on the Series 2007B Bonds in the aggregate amount of \$1,899,012. At the completion of the Final Distribution, all the Outstanding Bonds were cancelled in full and the Trustee closed the Trust Estate for the Bonds under the Indenture.



**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  
Lakeside Landings Community Development District  
City of Winter Haven, 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 Lakeside Landings Community Development District, City of Winter Haven, Florida ("District") as of and for the fiscal year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated October 21, 2016, which includes an explanatory paragraph regarding the adverse opinion for the omission of the Special Revenue Fund and the governmental activities as to the departure from generally accepted accounting principles, and 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 dated October 21, 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.

This report is intended for the information of the management, Board of Supervisors of Lakeside Landings Community Development District, City of Winter Haven, Florida and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

October 21, 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  
Lakeside Landings Community Development District  
City of Winter Haven, Florida

We have examined Lakeside Landings Community Development District, City of Winter Haven, 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, 2014. 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, 2014.

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 Lakeside Landings Community Development District, City of Winter Haven, Florida and is not intended to be and should not be used by anyone other than these specified parties.

October 21, 2016



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

To the Board of Supervisors  
Lakeside Landings Community Development District  
City of Winter Haven, Florida

We have audited the accompanying basic financial statements of Lakeside Landings Community Development District ("District") as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated October 21, 2016, which includes an explanatory paragraph regarding the adverse opinion for the omission of the Special Revenue Fund and the governmental activities as to the departure from generally accepted accounting principles, and an emphasis of matter paragraph.

Except as discussed in the explanatory paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Florida Auditor General. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In addition, 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 Chapter 10.550, Rules of the Florida Auditor General dated October 21, 2016. Disclosures in that report should be considered in conjunction with this management 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. This report is intended for the information of the management, and the Board of Supervisors of Lakeside Landings Community Development District, City of Winter Haven, Florida and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Lakeside Landings Community Development District, City of Winter Haven, 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.

October 21, 2016

## REPORT TO MANAGEMENT

### I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

#### **2014-01: Financial Condition Assessment:**

Observation: The District's financial conditions are deteriorating. The District failed to make its required debt service payments during the fiscal year ended September 30, 2014. In addition, the general and debt service funds reported deficit fund balances of (\$48,375) and (\$9,172,759), respectively at the end of the fiscal year. In addition the District has not met its debt service reserve requirement. Also the District has no access to the financial records of the SPE which was formed for the benefit of the Bondholders and was therefore not able to include the SPE as a blended component unit in the financial statements.

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

Management Response: As noted in the Financial Report prepared by Grau & Associates, the District failed to make its required debt service payments during the fiscal year ended September 30, 2014. This lack of payment was due to the District's original developer abandoning the project and the District subsequently taking title to a majority of the platted lots located within the District. These District-owned lots were being marketed and sold during the fiscal year ended September 30, 2014. Subsequently to the 2014 fiscal year, the District-owned lots were sold to a new landowner and the sale proceeds used to extinguish all outstanding District bond debt. Thus, the District has now alleviated the deteriorating financial condition.

#### **2014-02: Budget & Assessments**

Observation: On or before each June 15, the District Manager shall prepare a proposed budget for the ensuing fiscal year to be submitted to the Board of Supervisors for approval and the budget shall be adopted prior to October 1 of each year. As of the report date, no budget for the fiscal year ending September 30, 2014 was approved or adopted as there has not been a meeting since August 16, 2011 and no assessments have been billed or collected for fiscal year 2014.

Recommendation: The District should prepare a proposed budget for the ensuing fiscal year to be submitted to the board for approval on or before each June 15 and the budget should be adopted prior to October 1 each year. Operating and Maintenance Assessments should be based upon adopted budget and levied annually at a public hearing of the District.

Management Response: The District was effectively inactive during the fiscal year ended September 30, 2014. The District's Board of Supervisors declined to assemble and adopt a budget during this time period. The District's Board had adopted an annual budget as of the fiscal year ended September 30, 2016, and is expected to continue annually adopting budgets for the foreseeable future.

#### **2014-03 Continuing Disclosure Filing:**

Observation: The District did not file the required Continuing Disclosure reports pursuant to SEC rule 15c2-12. The District is required to file notices of principal and interest payment delinquencies to the Municipal Securities Rulemaking Board. The District failed to file a notice for the delinquent May 2014 debt service payments.

Recommendation: The District should take the necessary steps to ensure compliance with continuing disclosure requirements.

Management Response: Due to the District's financial condition during the fiscal year ended September 30, 2014, the District was unable to compensate its dissemination agent for regularly handling required continuing disclosure. The District's bond debt has now been satisfied and extinguished and so the District will no longer be subject to continuing disclosure requirements.

## REPORT TO MANAGEMENT (Continued)

### II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

#### **2009-01, 2010-01, 2011-03, 2012-02, 2013-01: Financial Condition Assessment**

Current year status: See finding 2014-01 above.

#### **2012-04, 2013-02: Budget & Assessments**

Current year status: See finding 2014-02 above.

#### **2011-07, 2012-05, 2013-03: Continuing Disclosure Filing:**

Current year status: See finding 2014-03 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, 2013, 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, 2014, 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, 2014, 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, 2014 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 due on the Series 2007 Bonds, as a result of a lack of funds. 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 financial information provided by same.