

**INDIGO
COMMUNITY DEVELOPMENT DISTRICT
VOLUSIA COUNTY, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2015**

**INDIGO COMMUNITY DEVELOPMENT DISTRICT
VOLUSIA COUNTY, FLORIDA**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Indigo Community Development District
Volusia County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Indigo Community Development District, Volusia County, 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 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 Matter

As discussed in Notes 7 and other notes to the basic financial statements, the debt service fund had a deficit fund balance of (\$1,480,216) at September 30, 2015. Major landowners within the District failed to pay their share of the current and prior fiscal year assessments. As a result, the District did not have sufficient funds 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. The District is economically dependent on its major Landowners. Our opinion is not modified with respect to this matter.

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 March 29, 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 March 29, 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.

March 29, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Indigo Community Development District, Volusia County, 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 liabilities of the District exceeded its assets at the close of the fiscal year ended September 30, 2015 resulting in a (deficit) net position balance of (\$8,686,760).
- The change in the District's total net position in comparison with the prior fiscal year was (\$142,297) 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 \$762,793, a decrease of (\$600,535) in comparison with the prior fiscal year. The total fund balance is non-spendable for prepaid items, restricted for capital projects, (\$1,480,216) is unassigned, deficit debt service fund balance, 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 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 three 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, debt service fund and capital projects fund, all of which are considered 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, liabilities exceeded assets 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 (Restated)
Current and other assets	\$ 4,338,588	\$ 3,558,248
Capital assets, net of depreciation	4,648,366	4,868,435
Total assets	8,986,954	8,426,683
Current liabilities	3,799,200	2,956,415
Long-term liabilities	13,874,514	14,014,731
Total liabilities	17,673,714	16,971,146
Net position		
Net investment in capital assets	(9,581,148)	(9,381,296)
Restricted	146,819	146,787
Unrestricted	747,569	690,046
Total net position	\$ (8,686,760)	\$ (8,544,463)

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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 represents the extent to which the cost of operations and depreciation expense exceeded ongoing program revenues.

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 (Restated)
Revenues:		
Program revenues		
Charges for services	\$ 2,182,136	\$ 2,492,547
Operating grants and contributions	301	321
Capital grants and contributions	136	1,304
General revenues		
Unrestricted investment earnings	444	255
Total revenues	<u>2,183,017</u>	<u>2,494,427</u>
Expenses:		
General government	239,747	370,931
Maintenance and operations	1,307,968	1,004,484
Interest on long-term debt	777,599	1,306,375
Total expenses	<u>2,325,314</u>	<u>2,681,790</u>
Change in net position	<u>(142,297)</u>	<u>(187,363)</u>
Net position - beginning, as restated (Note 8)	<u>(8,544,463)</u>	<u>(8,357,100)</u>
Net position - ending	<u>\$ (8,686,760)</u>	<u>\$ (8,544,463)</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 \$2,325,314. The costs of the District's activities were primarily funded by program revenues. Program revenues, comprised primarily of assessments, decreased from the prior fiscal year primarily as a result of a decrease in prepayment revenues and receipts of delinquent assessments. The majority of the change in expenses results from the decrease in interest. A significant portion of the Series 2005 Bonds were redeemed in the prior fiscal year thereby decreasing the interest incurred on the balance outstanding of the Bonds. The decrease in expenses is also attributed to a decrease in professional services.

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. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2015.

The variance between budgeted and actual general fund revenues for the current fiscal year is mainly the result of an increase in delinquent O&M assessments collected in the current fiscal year. Actual general fund expenditures for the fiscal year ended September 30, 2015 were less than appropriations 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 \$7,287,982 invested in land and land improvements, infrastructure, entranceway features, and other improvements. In the government-wide financial statements depreciation of \$2,639,616 has been taken, which resulted in a net book value of \$4,648,366. 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 \$14,320,000 in Bonds outstanding. More detailed information about the District's capital debt is presented in the notes of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND OTHER EVENTS

As discussed in the notes to the basic financial statements, the debt service fund had a deficit fund balance of (\$1,480,216) at September 30, 2015. Major landowners within the District failed to pay their share of the current and prior fiscal year assessments. As a result, the District did not have sufficient funds 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. The District continues to work with the Trustee, the Bondholders, and the delinquent property owners for the collection of debt service assessments. Due to the cost and other issues surrounding the foreclosure of the delinquent properties, the District continues to take direction from the Trustee and Bondholders. The foreclosure process has been placed on hold.

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 Indigo Community Development District's Finance Department at 135 W. Central Blvd, Suite 320 Orlando, Florida 32801.

**INDIGO COMMUNITY DEVELOPMENT DISTRICT
VOLUSIA COUNTY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 69,137
Investments	2,141,029
Due from Developer	14,849
Assessments receivable	158,611
Prepaid items	16,496
Restricted assets:	
Investments	1,938,466
Capital assets:	
Nondepreciable	2,507,717
Depreciable, net	2,140,649
Total assets	8,986,954
LIABILITIES	
Accounts payable	145,321
Accrued interest payable	382,016
Due to Bondholders:	
Interest	2,916,863
Principal	355,000
Non-current liabilities:	
Due within one year*	405,000
Due in more than one year	13,469,514
Total liabilities	17,673,714
NET POSITION	
Net investment in capital assets	(9,581,148)
Restricted for capital projects	146,819
Unrestricted	747,569
Total net position	\$ (8,686,760)

* The missed debt service payments due for the Series 1999C and 2005 Bonds are reflected in the due to Bondholders account.

See notes to the financial statements

**INDIGO COMMUNITY DEVELOPMENT DISTRICT
VOLUSIA COUNTY, 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	
Governmental activities:				Governmental Activities
General government	\$ 239,747	\$ 239,747	\$ -	\$ -
Maintenance and operations	1,307,968	1,323,240	-	136
Interest on long-term debt	777,599	619,149	301	-
Total governmental activities	<u>2,325,314</u>	<u>2,182,136</u>	<u>301</u>	<u>136</u>
General revenues:				
Unrestricted investment earnings				<u>444</u>
Total general revenues				<u>444</u>
Change in net position				<u>(142,297)</u>
Net position - beginning, restated (Note 8)				<u>(8,544,463)</u>
Net position - ending				<u>\$ (8,686,760)</u>

See notes to the financial statements

**INDIGO COMMUNITY DEVELOPMENT DISTRICT
VOLUSIA COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015**

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Projects	
ASSETS				
Cash and cash equivalents	\$ 69,137	\$ -	\$ -	\$ 69,137
Investments	2,141,029	1,791,647	146,819	4,079,495
Due from Developer	14,849	-	-	14,849
Assessments receivable	158,611	-	-	158,611
Prepaid items	16,496	-	-	16,496
Total assets	<u>\$ 2,400,122</u>	<u>\$ 1,791,647</u>	<u>\$ 146,819</u>	<u>\$ 4,338,588</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 145,321	\$ -	\$ -	\$ 145,321
Due to Bondholders	-	3,271,863	-	3,271,863
Total liabilities	<u>145,321</u>	<u>3,271,863</u>	<u>-</u>	<u>3,417,184</u>
Deferred inflows of resources:				
Unavailable revenue - special assessments	158,611	-	-	158,611
	<u>158,611</u>	<u>-</u>	<u>-</u>	<u>158,611</u>
Fund balances:				
Nonspendable:				
Prepaid items	16,496	-	-	16,496
Restricted for:				
Capital projects	-	-	146,819	146,819
Unassigned	2,079,694	(1,480,216)	-	599,478
Total fund balances	<u>2,096,190</u>	<u>(1,480,216)</u>	<u>146,819</u>	<u>762,793</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,400,122</u>	<u>\$ 1,791,647</u>	<u>\$ 146,819</u>	<u>\$ 4,338,588</u>

See notes to the financial statements

**INDIGO COMMUNITY DEVELOPMENT DISTRICT
VOLUSIA COUNTY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

Total fund balance - governmental funds \$ 762,793

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

Capital assets used in governmental activities are not financial resources, 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	7,287,982	
Accumulated depreciation	<u>(2,639,616)</u>	4,648,366

Assets recorded in the governmental fund financial statements that are not available to pay for current-period expenditures are unavailable revenue in the governmental funds.

158,611

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	(382,016)	
Bonds payable *	<u>(13,874,514)</u>	(14,256,530)

Net position of governmental activities		<u><u>\$ (8,686,760)</u></u>
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* The missed debt service payments due for the Series 1999C and 2005 Bonds are reflected in the due to Bondholders account.

See notes to the financial statements

**INDIGO COMMUNITY DEVELOPMENT DISTRICT
VOLUSIA COUNTY, 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	
REVENUES				
Assessments	\$ 1,352,366	\$ 619,149	\$ -	\$ 1,971,515
Miscellaneous income	52,010	-	-	52,010
Interest	444	301	136	881
Total revenues	<u>1,404,820</u>	<u>619,450</u>	<u>136</u>	<u>2,024,406</u>
EXPENDITURES				
Current:				
General government	180,621	59,126	-	239,747
Maintenance	1,087,899	-	-	1,087,899
Debt service:				
Principal	-	380,000	-	380,000
Interest	-	917,295	-	917,295
Total expenditures	<u>1,268,520</u>	<u>1,356,421</u>	<u>-</u>	<u>2,624,941</u>
Excess (deficiency) of revenues over (under) expenditures	136,300	(736,971)	136	(600,535)
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	-	22,396	-	22,396
Interfund transfers (out)	(22,292)	-	(104)	(22,396)
Total other financing sources (uses)	<u>(22,292)</u>	<u>22,396</u>	<u>(104)</u>	<u>-</u>
Net change in fund balances	114,008	(714,575)	32	(600,535)
Fund balances - beginning, restated (Note 8)	<u>1,982,182</u>	<u>(765,641)</u>	<u>146,787</u>	<u>1,363,328</u>
Fund balances - ending	<u>\$ 2,096,190</u>	<u>\$ (1,480,216)</u>	<u>\$ 146,819</u>	<u>\$ 762,793</u>

See notes to the financial statements

**INDIGO COMMUNITY DEVELOPMENT DISTRICT
VOLUSIA COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

Net change in fund balances - total governmental funds	\$	(600,535)
Amounts reported for governmental activities in the statement of activities are different because:		
Depreciation of capital assets is not recognized in the governmental fund financial statements, but is reported as an expense in the statement of activities.		(220,069)
Expenditures related to debt service payments must be recognized in governmental funds in the period in which they become due, therefore amounts not paid were recorded as a liability in the fund financial statements. The liability has already been recorded on the statement of net position.		380,000
Revenues in the statement of activities that do not provide current financial resources are deferred and not reported as revenues in the fund financial statements.		158,611
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 governmental fund financial statements.		144,479
Amortization of Bond discounts/premiums is not recognized in the governmental fund financial statements, but is reported as an expense in the statement of activities.		(4,783)
Change in net position of governmental activities	\$	<u>(142,297)</u>

See notes to the financial statements

**INDIGO COMMUNITY DEVELOPMENT DISTRICT
VOLUSIA COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

Indigo Community Development District ("District") was created January 3, 1995 by Rule 42U-1.001 - 1.003, Florida Administrative Code of the Florida Land and Water Adjudicatory Commission, 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. At September 30, 2015, the Supervisors were elected by residents registered to vote within the District through the general election process. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has the responsibility for, among other responsibilities:

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.

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*.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 property within the District. Operating and maintenance assessments are based upon the adopted budget and levied annually at a public hearing of the District. Debt service assessments are levied when Bonds are issued and assessed on an annual basis. The District may collect assessments directly or utilize the uniform method of collection under Florida Statutes. Direct collected assessments are due as determined by annual assessment resolution adopted by the Board of Supervisors. Assessments collected under the uniform method are mailed by the County Tax Collector on November 1 and due on or before March 31 of each year. Property owners may prepay a portion or all of the debt service assessments on their property subject to various provisions in the Bond documents.

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.

Capital Projects Fund

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

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first for qualifying expenditures, then unrestricted resources as they are needed.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

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 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, 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.

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 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.

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>
Entry feature and other improvements	10-20
Infrastructure	10-30

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Long-Term Obligations (Continued)

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 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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) A public hearing is 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, subject to the District's appropriation resolution.
- 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 and cash equivalent balances in the general 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.

Investments

The District's investments were held as follows at September 30, 2015:

	Fair Value	Credit Risk	Maturities
First American Prime Obligation Fund Class Z	\$ 2,406,987	S&P AAAm	Weighted average of the fund portfolio: 30 days
US Bank Money Market Account-Managed	1,672,508	S&P AAAm	N/A
	<u>\$ 4,079,495</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	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land and land improvements	\$ 2,507,717	\$ -	\$ -	\$ 2,507,717
Total capital assets, not being depreciated	2,507,717	-	-	2,507,717
Capital assets, being depreciated				
Entrance and other improvements	1,538,251	-	-	1,538,251
Infrastructure	3,242,014	-	-	3,242,014
Total capital assets, being depreciated	4,780,265	-	-	4,780,265
Less accumulated depreciation for:				
Entrance and other improvements	805,916	98,059	-	903,975
Infrastructure	1,613,631	122,010	-	1,735,641
Total accumulated depreciation	2,419,547	220,069	-	2,639,616
Total capital assets, being depreciated, net	2,360,718	(220,069)	-	2,140,649
Governmental activities capital assets, net	\$ 4,868,435	\$ (220,069)	\$ -	\$ 4,648,366

The District is bifurcated into two distinct development areas known as the North Assessment Area and the South Assessment Area. The District’s Series 1999C funded all of the Community Wide Capital Improvements situated in the North Assessment Area and a portion of the Community Wide Capital Improvements situated in the South Assessment Area. The remaining costs of the Community Wide Capital Improvements for the South Assessment Areas have been estimated at \$35 million. A portion of the costs was to be funded with the proceeds from the Series 2005 Bonds (the “2005 Project”) and the remaining costs were to be funded with proceeds from a future bond issuance and by the Developer.

The 2005 Project was originally estimated at \$12 million and included roadway, utility, and landscape projects located in the South Assessment Area. However, due to economic reasons, the scope of the project was revised and improvements costing a total of \$6,306,958 were declared completed (“2005 Completed Project”) in the prior fiscal year. Also in the prior fiscal year, the series 1999C Project was declared completed. The Series 1999C project was also revised and the total cost of the improvements completed under the Series 1999C Project (“1999C Completed Project”) was approximately \$7,183,238. The Engineer certified that the Series 1999C and 2005 Completed Projects will be capable of performing the functions for which they were intended. Due to the default of the series 1999C and 2005 Special Assessments by the Developer and subsequent landowners, the overall timeline for the plan of development has changed and it has been determined that it is economically infeasible to continue expanding the public infrastructure at the present time.

Also in the prior fiscal year, subsequent to the declaration of completion of the 1999C and 2005 projects, \$6,800,000 of excess fund remaining in the Construction Accounts were used to pay down the outstanding principal on Series 2005 Bonds.

Depreciation expense was charged to the maintenance and operations function.

NOTE 6 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended September 30, 2015 were as follows:

Fund	Transfers in	Transfers Out
General fund	\$ -	\$ 22,292
Debt Service Fund	22,396	-
Capital projects fund	-	104
Total	\$ 22,396	\$ 22,396

Transfers are used to move revenues from the fund where collection occurs to the fund where funds have been reallocated for use. In the prior fiscal year, the general fund advanced the money needed to pay certain default related legal expenses on behalf of the debt service fund and an Interfund liability was established. However, due to a lack of funds, the District determined that it is unlikely that the debt service fund will be able to reimburse the general fund. Therefore, the transfer reflected in the table above represents the write off of the Interfund liability.

NOTE 7 – LONG-TERM LIABILITIES

At September 30, 2015, the District had Bond issues as follows:

Series	Issue Date	Original Face Amount	Interest Rate	Maturity
Capital Improvement Bonds:				
Series 1999A	December 20, 1999	\$ 980,000	7.00%	May 1, 2031
Series 1999C	December 20, 1999	8,515,000	7.00%	May 1, 2030
Series 2005	February 1, 2005	14,710,000	5.75%	May 1, 2036

The Capital Improvement Bonds, Series 1999A, 1999C and 2005A were issued to finance the acquisition and construction of certain improvements for the benefit of the District.

Interest is to be paid semiannually for each Bond series on each May 1 and November 1. Principal is to be paid serially for each Bond series on each May 1.

The Series 1999A, 1999C, and 2005 Bonds are subject to redemption at the option of the District prior to maturity. Each Bond Series is subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture.

The Bond Indentures established debt service reserve requirements 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 agreed at the time of issuance to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements and has agreed to collect the same. The Series 1999A debt service reserve requirements were met at September 30, 2015. However, the Series 1999C and 2005 debt service reserve requirements were not met at September 30, 2015.

During the prior and current fiscal years, there were significant delinquent assessments, and, as a result, certain scheduled debt service payments due on the Series 1999C and 2005 during prior fiscal years were made, in part, by draws on the respective debt service reserve account. Also, default related expenses were paid from funds in the debt service reserve accounts. As a result of these payments, there are deficits of approximately \$622,180 and \$371,790 in the Series 1999C and Series 2005 debt service reserve accounts, respectively. Furthermore, certain scheduled debt service payments due on the Series 1999C and 2005 were not made in fiscal years 2014 and 2015, and fiscal years 2013 to 2015, respectively, resulting in events of default. The amounts due have been reported in the financial statements as Due to Bondholders and reflects unpaid principals of \$220,000 and \$135,000, and unpaid interests of \$954,100 and \$1,962,763 for the Series 1999C and 2005, respectively. See Note 15 – Subsequent Events for payments of accrued interests and principals subsequent to fiscal year end and additional missed debt service payments.

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Amendment to Series 1999C and 2005 Trust Indentures

During a prior fiscal year, the District amended the Series 1999C and 2005 Bond Indentures. The amendment provided for the establishment of a Series 1999C Remedial Expenditure Account which will be funded using \$34,000 from the Series 1999C Reserve Account and the establishment of a Series 2005 Remedial Expenditure Account which will be funded using \$66,000 from the Series 2005 Reserve Account to be utilized to pay for certain remedial fees outlined in the amendment, including engaging a professional engineering firm to provide an initial assessment of the development plan for certain property located within the District. As of September 30, 2015, these accounts have been depleted.

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:					
Series 1999 A	\$ 775,000	\$ -	\$ 25,000	\$ 750,000	\$ 25,000
Series 1999 C	6,725,000	-	-	6,725,000	455,000 *
Series 2005	6,845,000	-	-	6,845,000	280,000
Original issue discount	(95,269)	-	(4,783)	(90,486)	-
Total	\$ 14,249,731	\$ -	\$ 20,217	\$ 14,229,514	\$ 760,000

* Includes the missed debt service payments due for the Series 1999C and 2005 Bonds which were 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	\$ 760,000 *	\$ 3,831,950 *	\$ 4,591,950
2017	435,000	865,388	1,300,388
2018	460,000	836,813	1,296,813
2019	495,000	806,613	1,301,613
2020	525,000	774,088	1,299,088
2021-2025	3,220,000	3,301,025	6,521,025
2026-2030	4,955,000	2,085,025	7,040,025
2031-2035	1,980,000	773,363	2,753,363
2036	1,490,000	85,675	1,575,675
Total	\$ 14,320,000	\$ 13,359,940	\$ 27,679,940

* Includes the missed debt service payments due for the Series 1999C and 2005 Bonds which were not paid.

NOTE 8 – PRIOR PERIOD ADJUSTMENT

The 2015 report has adjusted the following items listed in the 2014 report:

	Governmental Activities	Debt Service Fund
Net Position/Fund balances - beginning, previously stated	\$ (8,531,863)	\$ (988,041)
Understatement of accrued interest expense	(12,600)	(12,600)
Overstatement of accrued principal expense	-	235,000
Net Position/Fund balances - beginning, as stated	\$ (8,544,463)	\$ (765,641)

The adjustments above were made to reflect revisions to the interest and principal installments for the remaining Series 1999C and 2005 Bonds.

NOTE 9 – ASSESSMENTS

Agreement between the District and GC Land LLC

During the current fiscal year, the District entered into an agreement with GC Land LLC (“GC Land”), a landowner, regarding the payment of past due O&M on parcels identified as NW-21 and SW-28 that were previously direct-billed. According to the Agreement, past due O&M assessments on NW-21 and SW-28 were \$117,680 and \$46,931, respectively. The amount due on NW-21 is net of a \$35,000 payment that was made prior to the execution of the agreement. Pursuant to the Agreement, GC Land agreed to make monthly payments of \$3,000 toward NW-21 beginning July 31, 2015 until the earlier of the payment of \$25,000 or the sale of the NW-21. If the \$25,000 is paid before the closing of NW-21, the remaining \$92,680 balance (the “Deferred Amount”) will be deferred until the closing and sale of SW-28. If SW-28 is not sold by April 30, 2016, GC Land will recommence paying the monthly installment payments to reduce the Deferred Amount. GC Land also agreed to pay any remaining balance of the Deferred Amount plus any current and future unpaid O&M related to SW-28 upon the closing of SW-28. Also pursuant to the agreement, The District, with the consent of the Bondholders, agreed to waive all late fees, penalties, and interest related to the past due O&M and debt service assessments on the parcels.

In accordance with the agreement and in addition to the \$35,000 payment mentioned above, GC Land paid a total of \$6,000 to the District during the current fiscal year. The total balance due on both parcels was \$158,611 at September 30, 2015. Since collection is likely, this amount has been deferred in the governmental fund balance sheet and recognized in the government wide statement of activities. Neither parcel has been sold as of the report date.

Delinquent Assessments

A significant portion of the assessments for the prior and current fiscal years were delinquent as of September 30, 2015. The balance of the delinquent assessments levied using the uniform method of collection was \$430,346 as of September 30, 2015, of which \$91,006 pertains to the current fiscal year. Since collectability of these assessments was deemed uncertain, these amounts have not been recognized in the financial statements.

Changes to the Development Plan

As a result of changes to the development plan, it has been determined that the number of assessable units for the Series 1999C and 2005 Bonds has been reduced on the undeveloped parcels. Due to the changes in the number of assessable units, adjustments to the assigned debt per parcel were required, including “true-ups” of assessable units and reallocation of debt to be applied against specific parcels.

NOTE 10 – RELATED PARTY INFORMATION

I-95 Landscape Contribution Agreement

In a prior fiscal year, the District entered into an agreement with Indigo Development Inc., the original Developer, whereby Indigo Development Inc. agreed to finance 50% of the costs related to the maintenance of the I-95 Interchange. The terms of the agreement shall remain in effect through September 30, 2015, unless sooner terminated in accordance the terms of the agreement. In connection with that agreement, revenues received during the 2015 fiscal year totaled \$51,168 which includes a receivable of \$14,849 at September 30, 2015. The Agreement was not renewed by Consolidated Tomoka.

NOTE 11 – CONCENTRATION

A significant portion of the District's activity is dependent upon the continued involvement of the major landowners. As such, the nonpayment of assessments by some of the major landowners in the prior, current, and subsequent fiscal years has resulted in the deterioration of the District's financial conditions.

NOTE 12 – MANAGEMENT AGREEMENTS

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

NOTE 13 – 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. There have been no claims from these risks that exceeded commercial insurance coverage over the past three years.

NOTE 14 – LITIGATION

In a prior fiscal year, the Board of Supervisors of the District authorized the foreclosure of certain parcels currently owned by GC Land, LLC, HW CGC Investment Land LLC, and other Landowners for nonpayment of Special assessments as it relates to the District Series 1999C and 2005 Bonds and operating and maintenance assessments for fiscal years 2009 – 2012. During the current fiscal year, The Board of Supervisors entered into an agreement related to specific lands owned by GC Land, LLC in regards to delinquent O&M assessments (see Note 9). The parcels subject to the agreement are NW-21 and SW-28 and as such are secured by title to the lands being held in escrow. If certain payments are not made by GC Land the title for the parcels will be provided to the District. The Trustee and the Bondholders have been informed of the agreement and at this time have not wanted the District to move forward with foreclosure on lands with delinquent debt service assessments. No adjustment has been made to the financial statements as the impact on the District cannot be determined at this time since it is unclear how events will unfold.

NOTE 15 – SUBSEQUENT EVENTS

Debt Service Payments

Subsequent to fiscal year end, the District made a principal payment of \$65,000 and total interest payments of \$490,769 on the Series 1999C Bonds. \$483,350 of the interest paid represents interests that were due on November 1, 2013 and May 1, 2014 which were not paid; the balance represents the accrued interest on the principal payment.

Also subsequent to fiscal year end, certain scheduled debt service payments were due on the Series 1999C and 2005 Bonds. However, shortfalls in the collection of special assessments caused there to be insufficient amounts available to fully fund these scheduled debt service payments. As a result, the Series 1999C and 2005 debt service payments due on November 1, 2015 were not made. The failure by the District to pay its debt service is considered an event of default.

**INDIGO COMMUNITY DEVELOPMENT DISTRICT
VOLUSIA COUNTY, 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 <u>Original & Final</u>	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Assessments	\$ 1,309,157	\$ 1,352,366	\$ 43,209
Miscellaneous revenue	67,028	52,010	(15,018)
Interest	250	444	194
Total revenues	1,376,435	1,404,820	28,385
EXPENDITURES			
Current:			
General government	246,393	180,621	65,772
Maintenance	1,110,042	1,087,899	22,143
Capital outlay	20,000	-	20,000
Total expenditures	1,376,435	1,268,520	107,915
Excess (deficiency) of revenues over (under) expenditures	-	136,300	136,300
OTHER FINANCING SOURCES (USES)			
Transfer in (out)	-	(22,292)	(22,292)
Total other financing sources (uses)	-	(22,292)	(22,292)
Net change in fund balance	\$ -	114,008	\$ 114,008
Fund balance - beginning, restated		1,982,182	
Fund balance - ending		\$ 2,096,190	

See notes to required supplementary information

**INDIGO COMMUNITY DEVELOPMENT DISTRICT
VOLUSIA COUNTY, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2015.

The variance between budgeted and actual general fund revenues for the current fiscal year is mainly the result of an increase in delinquent O&M assessments collected in the current fiscal year. Actual general fund expenditures for the fiscal year ended September 30, 2015 were less than appropriations 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
Indigo Community Development District
Volusia County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Indigo Community Development District, Volusia County, 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 March 29, 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 dated March 29, 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.

March 29, 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
Indigo Community Development District
Volusia County, Florida

We have examined Indigo Community Development District, Volusia County, 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 Indigo Community Development District, Volusia County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

March 29, 2016



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

To the Board of Supervisors
Indigo Community Development District
Volusia County, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of Indigo Community Development District ("District") as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated March 29, 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 March 29, 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 the District 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 Indigo Community Development District, Volusia County, 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.

March 29, 2016

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2015-01: Financial Condition Assessment

Observation: The District's financial conditions continue to deteriorate. The debt service fund had a deficit fund balance of (\$1,480,216) at September 30, 2015. In the prior, current, and subsequent fiscal years, major landowners in the District failed to pay significant portions of their assessments. As a result, certain debt service payments were not made. In addition, the District has not met the debt service reserve requirement. The non-payment of interest and principal payments, when due, are considered events of default. The District is economically dependent on the major landowners of the District. Furthermore, the title work necessary to commence foreclosure proceedings has been completed, but a foreclosure complaint has not yet been filed by the District.

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

Management Response: The District continues to work with the Trustee, the Bondholders, and the land owners of delinquent properties for the collection of debt service assessments. Due to the cost and other issues surrounding the foreclosure of the delinquent assessment properties, the District continue to take direction from the Trustee and the Bondholders. At this time the foreclosure process is on hold.

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

2014-01 Financial Condition Assessment

2013-02: Financial Condition Assessment

2012-02: Financial Condition Assessment

2011-02: Financial Condition Assessment

Current Status: See finding 2015-01 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.

REPORT TO MANAGEMENT (Continued)

III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA (Continued)

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 scheduled debt service payments due on the Series 1999C and 2005 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.