

# Financial Report

September 30, 2018

## Connerton West Community Development District

CONNERTON WEST COMMUNITY DEVELOPMENT DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
*Connerton West Community Development District*

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Connerton West Community Development District (the "District") as of and for the year ended September 30, 2018, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors 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 of 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, 2018, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis starting on page 3, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the 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.

*McDiarmid Davis & Company, LLC*

Orlando, Florida  
June 28, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the *Connerton West Community Development District*, (the "District") financial accomplishments provide an overview of the District's financial activities for the year ended September 30, 2018. Please read it in conjunction with the District's Independent Auditor's Report, financial statements and accompanying notes.

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

### Financial Highlights

- The assets of the District exceeded its liabilities at September 30, 2018 by \$22,468,038 an increase of \$5,084 in comparison with the prior year.
- At September 30, 2018, the District's governmental funds reported a combined fund balance of \$6,916,642, an increase of \$4,920,827 in comparison with the prior year.

### Overview of the Financial Statements

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

### Government-Wide Financial Statements

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

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

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

The government-wide financial statements include all governmental activities that are principally supported by special assessment revenues. The District does not have any business-type activities. The governmental activities of the District include general government, physical environment, public safety, culture and recreation, and roads and streets related functions.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Fund Financial Statements

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

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

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

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

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

### Notes to Financial Statements

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

### Government-Wide Financial Analysis

Statement of Net Position - The District's net position was \$22,468,038 at September 30, 2018. The following analysis focuses on the net position of the District's governmental activities.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**Government-Wide Financial Analysis (Continued):**

Connerton West Community Development District  
Statement of Net Position

	<b>September 30, 2018</b>	<b>September 30, 2017</b>
Assets, excluding capital assets	\$ 7,557,600	\$ 2,094,841
Capital Assets, net of depreciation	<u>37,983,738</u>	<u>36,940,250</u>
Total assets	<u>45,541,338</u>	<u>39,035,091</u>
Liabilities, excluding long-term liabilities	1,144,894	485,817
Long-term Liabilities	<u>21,928,406</u>	<u>16,086,320</u>
Total liabilities	<u>23,073,300</u>	<u>16,572,137</u>
Net Position:		
Net investment in capital assets	21,493,615	24,925,177
Restricted for debt service	106,362	997,977
Restricted for capital projects	5,324,334	-
Unrestricted	<u>(4,456,273)</u>	<u>(3,460,200)</u>
Total	<u>\$ 22,468,038</u>	<u>\$ 22,462,954</u>

The following is a summary of the District's governmental activities for the fiscal years ended September 30, 2018 and 2017.

Changes in Net Position  
Year ended September 30,

	<b>2018</b>	<b>2017</b>
Revenues:		
Program revenues	\$ 5,053,173	\$ 4,025,019
General revenues	<u>4,277</u>	<u>1,551</u>
Total revenues	<u>5,057,450</u>	<u>4,026,570</u>
Expenses:		
General government	1,229,379	209,994
Physical environment	2,681,460	2,654,300
Public safety	8,320	7,960
Culture and recreation	34,625	32,119
Roads and streets	14,663	-
Interest on long-term debt	<u>1,083,919</u>	<u>987,981</u>
Total expenses	<u>5,052,366</u>	<u>3,892,354</u>
Change in net position	5,084	134,216
Net position - beginning	<u>22,462,954</u>	<u>22,328,738</u>
Net position - ending	<u>\$ 22,468,038</u>	<u>\$ 22,462,954</u>

Total revenues increased due to bondholder contributions. As noted above and in the statement of activities, the cost of all governmental activities during the year ended September 30, 2018 was \$5,052,366. The majority of these costs relate to physical environment, general government, and interest on long-term debt.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Financial Analysis of the Government's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At September 30, 2018, the District's governmental funds reported combined ending fund balances of \$6,916,642. Of this total, \$27,609 is nonspendable, \$6,487,020 is restricted, and the remainder is unassigned fund balance of \$402,013.

The fund balance of the debt service fund decreased by \$472,207, primarily due to repayments of debt. The fund balance of the capital projects fund increased by \$5,315,854 due to proceeds from bond issuance. The fund balance of the general fund increased by \$77,180 due to increased assessments received.

### General Fund Budgetary Highlights

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. There were no amendments to the September 30, 2018 general fund budget. The legal level of budgetary control is at the fund level.

### Capital Asset and Debt Administration

**Capital Assets** - At September 30, 2018, the District had \$37,983,738 invested in capital assets, net of accumulated depreciation. More detailed information about the District's capital assets is presented in the notes to financial statements.

**Capital Debt** - At September 30, 2018, the District had \$22,080,000 in bonds outstanding. More detailed information about the District's capital debt is presented in the notes to financial statements.

### Requests for Information

If you have questions about this report or need additional financial information, contact the *Connerton West Community Development District's* Finance Department at 12750 Citrus Park Lane, Suite 115, Tampa, Florida 33625.

## **FINANCIAL STATEMENTS**

CONNERTON WEST COMMUNITY DEVELOPMENT DISTRICT

**STATEMENT OF NET POSITION**

September 30, 2018

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash	\$ 331,454
Assessments receivable	341,929
Prepaid costs	8,844
Deposits	18,765
Restricted assets:	
Temporarily restricted investments	6,856,608
Capital assets not being depreciated	4,244,378
Capital assets being depreciated, net	<u>33,739,360</u>
Total assets	<u>45,541,338</u>
<b>Liabilities:</b>	
Accounts payable and accrued expenses	450,123
Retainage payable	190,835
Accrued interest payable	503,936
Noncurrent liabilities:	
Due within one year	540,000
Due in more than one year	<u>21,388,406</u>
Total liabilities	<u>23,073,300</u>
<b>Net Position:</b>	
Net investment in capital assets	21,493,615
Restricted for debt service	106,362
Restricted for capital projects	5,324,334
Unrestricted	<u>(4,456,273)</u>
Total net position	<u>\$ 22,468,038</u>

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

CONNERTON WEST COMMUNITY DEVELOPMENT DISTRICT

**STATEMENT OF ACTIVITIES**

Year Ended September 30, 2018

<b><u>Functions/Programs</u></b>	<b><u>Expenses</u></b>	<b><u>Charges for Services</u></b>	<b><u>Program Revenue</u></b>		<b><u>Net (Expense) Revenue and Changes in Net Position</u></b>
			<b><u>Operating Grants and Contributions</u></b>	<b><u>Capital Grants and Contributions</u></b>	
Governmental activities:					
General government	\$ 1,229,379	\$ 413,648	\$ -	\$ -	\$ (815,731)
Physical environment	2,681,460	902,230	-	1,592,365	(186,865)
Public safety	8,320	2,799	-	-	(5,521)
Culture and recreation	34,625	11,650	-	-	(22,975)
Roads and streets	14,663	4,934	-	-	(9,729)
Interest on long-term debt	1,083,919	2,106,505	8,725	10,317	1,041,628
Total governmental activities	<u>\$ 5,052,366</u>	<u>\$ 3,441,766</u>	<u>\$ 8,725</u>	<u>\$ 1,602,682</u>	<u>\$ 807</u>
General Revenues:					
Investment income					<u>4,277</u>
Change in net position					5,084
Net Position - beginning					<u>22,462,954</u>
Net Position - ending					<u>\$ 22,468,038</u>

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

CONNERTON WEST COMMUNITY DEVELOPMENT DISTRICT

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**

September 30, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash	\$ 331,454	\$ -	\$ -	\$ 331,454
Investments	-	950,631	5,905,977	6,856,608
Assessments receivable	129,874	212,055	-	341,929
Prepaid costs	8,844	-	-	8,844
Deposits	18,765	-	-	18,765
Total assets	<u>\$ 488,937</u>	<u>\$ 1,162,686</u>	<u>\$ 5,905,977</u>	<u>\$ 7,557,600</u>
<b>Liabilities and Fund Balances:</b>				
Liabilities:				
Accounts payable and accrued expenses	\$ 59,315	\$ -	\$ 390,808	\$ 450,123
Retainage payable	-	-	190,835	190,835
Total liabilities	<u>59,315</u>	<u>-</u>	<u>581,643</u>	<u>640,958</u>
Fund Balances:				
Nonspendable	27,609	-	-	27,609
Restricted for debt service	-	1,162,686	-	1,162,686
Restricted for capital projects	-	-	5,324,334	5,324,334
Unassigned	402,013	-	-	402,013
Total fund balances	<u>429,622</u>	<u>1,162,686</u>	<u>5,324,334</u>	<u>6,916,642</u>
Total liabilities and fund balances	<u>\$ 488,937</u>	<u>\$ 1,162,686</u>	<u>\$ 5,905,977</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 37,983,738

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

Accrued interest payable	(503,936)	
Bonds payable	<u>(21,928,406)</u>	<u>(22,432,342)</u>

Net Position of Governmental Activities (page 7) \$ 22,468,038

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

CONNERTON WEST COMMUNITY DEVELOPMENT DISTRICT

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

Year Ended September 30, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Special assessments	\$ 1,335,261	\$ 1,339,166	\$ -	\$ 2,674,427
Assessments - prepayments	-	767,339	-	767,339
Developer contributions	-	-	1,592,365	1,592,365
Investment income	4,277	8,725	10,317	23,319
Total revenues	<u>1,339,538</u>	<u>2,115,230</u>	<u>1,602,682</u>	<u>5,057,450</u>
<b>Expenditures:</b>				
Current:				
General government	224,180	87,187	918,012	1,229,379
Physical environment	994,119	-	-	994,119
Public safety	8,320	-	-	8,320
Roads and Streets	14,663	-	-	14,663
Culture and recreation	21,076	-	-	21,076
Debt service:				
Interest	-	958,446	-	958,446
Principal	-	10,555,000	-	10,555,000
Capital outlay	-	-	2,744,378	2,744,378
Total expenditures	<u>1,262,358</u>	<u>11,600,633</u>	<u>3,662,390</u>	<u>16,525,381</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<u>77,180</u>	<u>(9,485,403)</u>	<u>(2,059,708)</u>	<u>(11,467,931)</u>
<b>Other Financing Sources (Uses):</b>				
Bond issuance	-	9,403,072	7,116,928	16,520,000
Bond discount	-	(131,242)	-	(131,242)
Transfers in	-	-	258,634	258,634
Transfers out	-	(258,634)	-	(258,634)
Total other financing sources (uses)	<u>-</u>	<u>9,013,196</u>	<u>7,375,562</u>	<u>16,388,758</u>
Net change in fund balances	77,180	(472,207)	5,315,854	4,920,827
<b>Fund Balances - beginning of year</b>	<u>352,442</u>	<u>1,634,893</u>	<u>8,480</u>	<u>1,995,815</u>
<b>Fund Balances - end of year</b>	<u>\$ 429,622</u>	<u>\$ 1,162,686</u>	<u>\$ 5,324,334</u>	<u>\$ 6,916,642</u>

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

CONNERTON WEST COMMUNITY DEVELOPMENT DISTRICT

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

Year Ended September 30, 2018

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

Net Change in Fund Balances - total governmental funds (page 10) \$ 4,920,827

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources; however, in the statement of net position the cost is recorded as capital assets. Depreciation on capital assets is not recognized in the governmental fund statement; however it is reported as an expense in the statement of activities.

Capital outlay	2,744,378	
Depreciation expense	<u>(1,700,890)</u>	1,043,488

The issuance of bonds provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Issuance of bonds	(16,520,000)	
Bond discount	<u>131,242</u>	(16,388,758)

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

Repayment of bonds payable		10,555,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Change in accrued interest	(117,145)	
Amortization of bond discount	<u>(8,328)</u>	<u>(125,473)</u>

Change in Net Position of Governmental Activities (page 8)		<u><u>\$ 5,084</u></u>
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The accompanying Notes to Financial Statements are an integral part of this statement.

CONNERTON WEST COMMUNITY DEVELOPMENT DISTRICT

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

Year Ended September 30, 2018

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Special Assessments	\$ 1,324,795	\$ 1,324,795	\$ 1,335,261	\$ 10,466
Investment Income	-	-	4,277	4,277
Total revenues	<u>1,324,795</u>	<u>1,324,795</u>	<u>1,339,538</u>	<u>14,743</u>
<b>Expenditures:</b>				
Current:				
General government	213,981	213,981	224,180	(10,199)
Physical environment	1,068,314	1,068,314	994,119	74,195
Public safety	10,000	10,000	8,320	1,680
Culture and recreation	27,000	27,000	21,076	5,924
Roads and streets	5,500	5,500	14,663	(9,163)
Total expenditures	<u>1,324,795</u>	<u>1,324,795</u>	<u>1,262,358</u>	<u>62,437</u>
Net change in fund balance	-	-	77,180	77,180
Fund Balance - beginning of year	<u>352,442</u>	<u>352,442</u>	<u>352,442</u>	-
Fund Balance - end of year	<u>\$ 352,442</u>	<u>\$ 352,442</u>	<u>\$ 429,622</u>	<u>\$ 77,180</u>

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

**NOTES TO FINANCIAL STATEMENTS**

CONNERTON WEST COMMUNITY DEVELOPMENT DISTRICT

**NOTES TO FINANCIAL STATEMENTS**

Year Ended September 30, 2018

**Note 1 - Summary of Significant Accounting Policies:**

**Reporting Entity**

The *Connerton West Community Development District*, (the "District") was established on June 14, 2004 by Rule 42-PP-1 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, the power to borrow money and issue bonds, and the power to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure. The District was established for the purpose of financing and managing the acquisition, construction, maintenance and operation of a portion of the infrastructure necessary for community development within the District.

The District is governed by the Board of Supervisors (the "Board"), which is composed of five members. The Supervisors are elected on an at large basis by landowners of the District. Three are elected on an at large basis by qualified electors that reside within the District. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes. As of September 30, 2018, the District developer is Hayman Woods, LLC (the "Developer"). In 2014 Glick Family Investments became owners of the entire Series 2006 and Series 2007 debt issuance for the District. Hayman Woods, LLC and Glick Family Investments formed a joint venture as equal partners in all of the undeveloped land in the District as well as the commercial land.

The Board has the final responsibility for:

1. Allocating 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 GASB Statements 14, 39, and 61. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District Board of Supervisors is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. Management has determined that there are no entities considered to be component units of the District.

CONNERTON WEST COMMUNITY DEVELOPMENT DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2018

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

**Government-Wide and Fund Financial Statements**

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

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

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

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

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

Assessments, including debt service assessments and operation and maintenance assessments, are non-ad valorem assessments imposed on all lands located within the district and benefited by the District's activities. Operation and maintenance assessments are levied by the District prior to the start of the fiscal year which begins October 1st and ends on September 30th. Operation and maintenance special assessments are imposed upon all lands located in the District. Debt service special assessments are imposed upon certain lots and lands as described in each resolution imposing the special assessment for each series of bonds issued by the District.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2018

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

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

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

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

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

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

**Capital Projects Fund** - accounts for the financial resources to be used for the acquisition or construction of major infrastructure within the District.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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

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

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

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

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

CONNERTON WEST COMMUNITY DEVELOPMENT DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2018

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

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

**Capital Assets** - Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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>
Surface Water Management System	25
Roadways	20
Water Management Control	25
Subdivision Infrastructure	30
Recreational Facilities	30
Landscaping	15

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

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

**Deferred Outflows/Inflows of Resources** - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any item that qualifies for reporting in this category for the year ended September 30, 2018.

CONNERTON WEST COMMUNITY DEVELOPMENT DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2018

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

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

**Deferred Outflows/Inflows of Resources (Continued)** - In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any item that qualifies for reporting in this category for the year ended September 30, 2018.

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2018

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

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

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

**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 2 - Stewardship, Compliance and Accountability:**

**Budgetary Information**

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

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

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2018

**Note 3 - Deposits and Investments:**

**Deposits**

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

**Investments**

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

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

The District has the following recurring fair value measurements as of September 30, 2018:

- Fidelity Government Portfolio, CL III of \$6,609,432 are valued using Level 2 inputs.

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

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

CONNERTON WEST COMMUNITY DEVELOPMENT DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2018

**Note 3 - Deposits and Investments (Continued):**

**Investments (Continued):**

Investments made by the District at September 30, 2018 are summarized below. In accordance with GASB 31, investments are reported at fair value.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity</u>
US Bank Managed Money Market	\$ 247,176	AAA	NA
Fidelity Government Portfolio, CL III	6,609,432	AAAm	36 days
	<u>\$ 6,856,608</u>		

Credit Risk:

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

Custodial Credit Risk:

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2018, all of the District's bank deposits were in qualified public depositories.

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2018, none of the investments listed are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk:

The District's investment policy does not specify limits on the amount the District may invest in any one issuer.

CONNERTON WEST COMMUNITY DEVELOPMENT DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2018

**Note 3 - Deposits and Investments (Continued):**

**Investments (Continued):**

Interest Rate Risk:

The District's investment policy does not specifically address interest rate risk; however, the general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments. The District manages its exposure to declines in fair values by investing primarily in pooled investments that have a weighted average maturity of less than three months.

**Note 4 - Interfund Transfers:**

During the year, the District transferred funds between the debt service and capital projects funds as allowed by the trust indenture.

**Note 5 - Capital Assets:**

Capital asset activity for the year ended September 30, 2018 was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,500,000	\$ -	\$ -	\$ 1,500,000
Infrastructure under construction	-	2,744,378	-	2,744,378
Total capital assets, not being depreciated	1,500,000	2,744,378	-	4,244,378
Capital Assets Being Depreciated:				
Roadways	12,708,832	-	-	12,708,832
Water Management Control	2,246,511	-	-	2,246,511
Landscaping	6,695,996	-	-	6,695,996
Recreational Facilities	406,472	-	-	406,472
Subdivision Infrastructure	14,697,485	-	-	14,697,485
Surface Water Management System	643,074	-	-	643,074
Total capital assets being depreciated	37,398,370	-	-	37,398,370
Less Accumulated Depreciation for:				
Roadways	(635,442)	(635,442)	-	(1,270,884)
Water Management Control	(89,860)	(89,860)	-	(179,720)
Landscaping	(446,400)	(446,400)	-	(892,800)
Recreational Facilities	(13,549)	(13,549)	-	(27,098)
Subdivision Infrastructure	(489,916)	(489,916)	-	(979,832)
Surface Water Management System	(282,953)	(25,723)	-	(308,676)
Total accumulated depreciation	(1,958,120)	(1,700,890)	-	(3,659,010)
Total capital assets being depreciated, net	35,440,250	(1,700,890)	-	33,739,360
Governmental activities capital assets, net	\$ 36,940,250	\$ 1,043,488	\$ -	\$ 37,983,738

CONNERTON WEST COMMUNITY DEVELOPMENT DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2018

**Note 5 - Capital Assets (Continued):**

Depreciation expense of \$1,687,341 was charged to physical environment expense, and \$13,549 was charged to culture and recreation.

Remaining costs to complete the improvements for the District are estimated at \$78,030,000. Any additional infrastructure costs in excess of the amounts available from the Bonds issued as well as future bond proceeds are the responsibility of the Developer. The District has conveyed certain infrastructure improvements to other governmental entities in prior years and may convey additional infrastructure improvements to other governmental entities upon completion of the project.

**Note 6 - Long-Term Liabilities:**

Series 2004 Capital Improvement Revenue Bonds:

On November 1, 2004, the District issued \$8,895,000 of Capital Improvement Revenue Bonds, Series 2004 consisting of \$3,015,000 Series 2004A-1 due on May 1, 2035 with a fixed interest rate of 5.95%; \$2,290,000 Series 2004A-2 due on May 1, 2024 with a fixed interest rate of 5.85%; and \$3,590,000 Series 2004A-2b due on May 1, 2036 with a fixed interest rate of 5.95%. Principal on these bonds is payable annually commencing May 1, 2006, May 1, 2007 and May 1, 2025 respectively. Interest is paid semiannually on each May 1 and November 1, commencing May 1, 2005. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the property within the District. On May 1, 2010 the Series 2004A-2 Bonds and Series 2004A-2b Bonds were restructured and combined. The terms of the bonds are unchanged.

The Series 2004 Bonds are subject to redemption at the option of the District, in whole or in part at any time on or after May 1, 2012 at a redemption price set forth in the Bond Indenture. The Series 2004 Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Indenture.

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirement as defined in the Indenture. The requirement was met at September 30, 2018.

The Bond Indenture has certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agreed to levy special assessments in annual amounts adequate to provide payment of debt service. Payment of principal and interest on the 2004 Bonds is secured by a pledge and a first lien upon the pledged special assessment revenue. The District is in compliance with the requirements of the Bond Indenture as of September 30, 2018.

CONNERTON WEST COMMUNITY DEVELOPMENT DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2018

**Note 6 - Long-Term Liabilities (Continued):**

Series 2004 Capital Improvement Revenue Bonds (Continued):

On May 3, 2018, the Series 2004 Bonds were refunded with the issuance of the Series 2018A Bonds. Total principal and interest remaining on the Series 2004 Bonds at September 30, 2018 is \$0. For the year ended September 30, 2018, principal and interest paid was \$7,385,803 and total special assessment revenue pledged was \$651,108.

Series 2006A Capital Improvement Revenue Bonds:

On September 1, 2006, the District issued \$10,635,000 of Capital Improvement Revenue Bonds Series 2006A consisting of \$6,265,000 Series 2006A-1 due on May 1, 2037 with a fixed interest rate of 5.375% and \$4,370,000 Series 2006A-2 due on May 1, 2038 with a fixed interest rate of 5.4%. Principal is payable annually commencing on May 1, 2008 and May 1, 2009, respectively. Interest is paid semiannually on each May 1 and November 1, commencing November 1, 2006. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the property within the District.

The Series 2006A Bonds are subject to redemption at the option of the District, in whole or in part at any time on or after May 1, 2015 at a redemption price set forth in the Bond Indenture. The Series 2006A Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Indenture.

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirement as defined in the Indenture. The requirement was not met at September 30, 2018. The District entered into a forbearance agreement in November 2013. The forbearance agreement states that the District shall not continue collection and enforcement of the debt assessments, including the commencement of foreclosure proceedings until the expiration of the forbearance period. The forbearance period expired on June 30, 2015.

The District and Developer have entered into an agreement to delay any foreclosure action on the Developer. In 2016, the District entered into an agreement with the Bondholders and Delinquent Landowners to repay the delinquent balances and bring the debt balances current.

The Bond Indenture has certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agreed to levy special assessments in annual amounts adequate to provide payment of debt service. Payment of principal and interest on the 2006A Bonds is secured by a pledge and a first lien upon the pledged special assessment revenue. The District is not in compliance with certain requirements of the Bond indenture.

CONNERTON WEST COMMUNITY DEVELOPMENT DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2018

**Note 6 - Long-Term Liabilities (Continued):**

Series 2006A Capital Improvement Revenue Bonds (Continued):

On August 8, 2018, the Series 2006A Bonds were partially refunded with the issuance of the Series 2018 Bonds. Total principal and interest remaining on the Series 2006A Bonds at September 30, 2018 is \$5,370,160. In the current year, principal and interest of \$2,693,685 was paid. Total special assessment revenue pledged was \$506,897.

Series 2015 Capital Improvement Revenue and Refunding Bonds:

In June 2015, the District issued \$5,385,000 of Capital Improvement Revenue and Refunding Bonds, Series 2015 consisting of \$2,275,000 Series 2015A-1 due on May 1, 2045 with fixed interest rates of 6.1% to 6.25%; \$3,110,000 Series 2015A-2 due on May 1, 2022 with a fixed interest rate of 6.2%. Principal payments on the Series 2015A-1 Bonds are payable annually commencing May 1, 2016. There are no principal payments on the Series 2015A-2 Bonds until the final maturity date of May 1, 2022. Interest is paid semiannually on each May 1 and November 1, commencing May 1, 2016. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the property within the District, and to redeem a portion of the Series 2006 Bonds.

The Series 2015 Bonds are subject to redemption at the option of the District, in whole or in part at a redemption price set forth in the Bond Indenture. The Series 2015 Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Indenture.

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirement as defined in the Indenture. The requirement was met at September 30, 2018.

The Bond Indenture has certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agreed to levy special assessments in annual amounts adequate to provide payment of debt service. Payment of principal and interest on the 2015 Bonds is secured by a pledge and a first lien upon the pledged special assessment revenue.

The District is in compliance with the requirements of the Bond Indenture as of September 30, 2018.

Total principal and interest remaining on the Series 2015 Bonds at September 30, 2018 is \$4,556,560. For the year ended September 30, 2018, \$1,433,991 of principal and interest was paid and total special assessment revenue pledged was \$948,500.

CONNERTON WEST COMMUNITY DEVELOPMENT DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2018

**Note 6 - Long-Term Liabilities (Continued):**

**Series 2018A Capital Improvement Revenue and Refunding Bonds:**

In April 2018, the District issued \$8,040,000 of Capital Improvement Revenue and Refunding Bonds, Series 2018A consisting of \$3,250,000 Serial Series 2018A-1 Bonds due serially on May 1, 2019 through May 1, 2028 with interest rates from 2.0% to 3.25%; \$610,000 Term Series Bonds due on May 1, 2032 with a fixed interest rate of 3.5%; \$510,000 Term Series Bonds due on May 1, 2035 with a fixed interest rate of 3.625%; \$1,000,000 Term Series Bonds due on May 1, 2032 with a fixed interest rate of 3.5% and \$1,150,000 Term Series Bonds due on May 1, 2036 with a fixed interest rate of 3.625%; and \$1,520,000 Series 2018A-2 due on May 1, 2036 with a fixed interest rates of 4.625 to 5.0%. Principal payments on the Series 2018A Bonds are payable annually commencing May 1, 2019. Interest is paid semiannually on each May 1 and November 1, commencing November 1, 2018. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the property within the District, and to redeem the Series 2004 Bonds.

The Series 2004 Bonds were refunded to take advantage of lower interest rates and reduce future debt service requirements. The refunding transaction resulted in an economic gain of \$449,547 and a reduction of \$463,494 in future debt service payments.

The Series 2018A Bonds are subject to redemption at the option of the District, in whole or in part at a redemption price set forth in the Bond Indenture. The Series 2018A Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Indenture.

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirement as defined in the Indenture. The requirement was met at September 30, 2018.

The Bond Indenture has certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agreed to levy special assessments in annual amounts adequate to provide payment of debt service. Payment of principal and interest on the 2018A Bonds is secured by a pledge and a first lien upon the pledged special assessment revenue.

The District is in compliance with the requirements of the Bond Indenture as of September 30, 2018.

Total principal and interest remaining on the Series 2018A Bonds at September 30, 2018 is \$11,049,279. For the year ended September 30, 2018, no principal and interest was due to be paid and no revenues were pledged.

CONNERTON WEST COMMUNITY DEVELOPMENT DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2018

**Note 6 - Long-Term Liabilities (Continued):**

Series 2018 Capital Improvement Revenue and Refunding Bonds:

In August 2018, the District issued \$8,480,000 of Capital Improvement Revenue and Refunding Bonds, Series 2018 consisting of \$4,290,000 Series 2018-1 due on May 1, 2048 with fixed interest rates of 4.5% to 5.5%, and \$4,190,000 Series 2018-2 due on November 1, 2025 with a fixed interest rate of 5.5%. Principal payments on the Series 2018-1 Bonds are payable annually commencing May 1, 2019. Principal on the Series 2018-2 Bonds is payable in full on November 1, 2025. Interest is paid semiannually on each May 1 and November 1, commencing May 1, 2019. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the property within the District, and to redeem \$2,210,000 of the Series 2006 Bonds.

The Series 2006 Bonds were refunded to restructure the debt repayment schedule and delay repayment of principal until 2025. The refunding transaction resulted in an economic gain of \$84,673 and a reduction of \$566,011 in future debt service payments.

The Series 2018 Bonds are subject to redemption at the option of the District, in whole or in part at a redemption price set forth in the Bond Indenture. The Series 2018 Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Indenture.

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirement as defined in the Indenture. The requirement was met at September 30, 2018.

The Bond Indenture has certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agreed to levy special assessments in annual amounts adequate to provide payment of debt service. Payment of principal and interest on the 2018 Bonds is secured by a pledge and a first lien upon the pledged special assessment revenue.

CONNERTON WEST COMMUNITY DEVELOPMENT DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2018

**Note 6 - Long-Term Liabilities (Continued):**

Series 2018 Capital Improvement Revenue and Refunding Bonds (Continued):

The District is in compliance with the requirements of the Bond Indenture as of September 30, 2018.

Total principal and interest remaining on the Series 2018 Bonds at September 30, 2018 is \$14,157,950. For the year ended September 30, 2018, no principal and interest was due to be paid and no revenues were pledged.

Long-term debt activity for the year ended September 30, 2018 was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental Activities:</b>					
Bonds Payable:					
Series 2004	\$ 6,970,000	\$ -	\$ (6,970,000)	\$ -	\$ -
Series 2006	5,595,000	-	(2,360,000)	3,235,000	95,000
Series 2015	3,550,000	-	(1,225,000)	2,325,000	35,000
Series 2018A	-	8,040,000	-	8,040,000	350,000
Series 2018	-	8,480,000	-	8,480,000	60,000
Less issuance discount	(28,680)	(131,242)	8,328	(151,594)	-
Governmental activity long-term liabilities	<u>\$ 16,086,320</u>	<u>\$ 16,388,758</u>	<u>\$ (10,546,672)</u>	<u>\$ 21,928,406</u>	<u>\$ 540,000</u>

At September 30, 2018, the scheduled debt service requirements on the bonds payable were as follows:

<b>Year Ending September 30,</b>	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2019	\$ 540,000	\$ 947,988
2020	555,000	1,049,153
2021	575,000	1,025,830
2022	865,000	1,001,676
2023	615,000	735,978
2024-2028	7,665,000	3,804,982
2029-2033	4,320,000	2,399,069
2034-2038	3,905,000	1,382,923
2039-2043	1,595,000	693,225
2044-2048	1,445,000	229,275
	<u>\$ 22,080,000</u>	<u>\$ 13,270,099</u>

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2018

**Note 7 - Related Party Transactions:**

Developer Transactions:

In fiscal year 2018, the District recorded assessment revenue of \$1,029,704 from the Developer and major landholder, representing 30% of total special assessments revenue. Additionally, the Developer contributed \$1,592,365, representing 100% of developer contribution revenue.

In fiscal year 2014, Glick Family Investments partnered with the Developer in a joint venture to own the entire Series 2006 and Series 2007 debt issuance for the District.

**Note 8 - Risk Management:**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance from independent third parties. The District has not filed any claims under this commercial coverage during the last three years.

**COMPLIANCE SECTION**

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

To the Board of Supervisors  
*Connerton West Community Development District*

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund of the *Connerton West Community Development District* (the "District") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 28, 2019.

Internal Control Over Financial Reporting

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

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. See Appendix A.

The District's response to the findings identified in our audit is described in the accompanying letter to management. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## 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.

*McDiernit Davis & Company, LLC*

Orlando, Florida  
June 28, 2019

**MANAGEMENT COMMENTS**

Board of Supervisors  
*Connerton West Community Development District*

**Report on the Financial Statements**

We have audited the financial statements of the *Connerton West Community Development District*, (the “District”) as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated June 28, 2019.

**Auditor’s Responsibility**

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

**Other Reporting Requirements**

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant’s Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 28, 2019, should be considered in conjunction with this management letter.

**Prior Audit Findings**

Section 10.554(1)(i).1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, except as noted below.

<b>Tabulation of Uncorrected Audit Findings</b>		
<b>Current Year Finding #</b>	<b>2016-17 FY Finding #</b>	<b>2015-16 FY Finding #</b>
13-02	13-02	13-02

**Official Title and Legal Authority**

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

## **Financial Condition and Management**

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the District. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

## **Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

## **Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Supervisors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*McDiernit Davis & Company, LLC*

Orlando, Florida  
June 28, 2019

**APPENDIX A - COMPLIANCE VIOLATIONS OF LAWS, REGULATIONS AND CONTRACTUAL PROVISIONS**

Year Ended September 30, 2017

**13-02 - Failure to Meet Debt Service Account Reserve Requirements**

**Criteria**

The Trust Indentures require the District to maintain a minimum balance in the Debt Service Reserve Accounts.

**Condition**

At September 30, 2018, the Debt Service Reserve Accounts for the Series 2006A Bonds were deficient.

**Cause**

The balances in the Debt Service Reserve Accounts were used to pay prior year debt service.

**Effect**

The District is not in compliance with the requirements of the Series 2006A Trust Indenture.

**Recommendation**

We recommend the District utilize all legal remedies available to replenish the Debt Service Reserve accounts.

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

Board of Supervisors  
*Connerton West Community Development District*

We have examined the Connerton West Community Development District's (the "District") compliance with the requirements of Section 218.415, Florida Statutes, during the fiscal year ended September 30, 2018. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2018.

*MCDIRMIT DAVIS & COMPANY, LLC*

Orlando, Florida  
June 28, 2019

# CONNERTON WEST COMMUNITY DEVELOPMENT DISTRICT

DISTRICT OFFICE · 5844 OLD PASCO ROAD · SUITE 100 · WESLEY CHAPEL, FLORIDA 33544

June 28, 2019

## **Response to the Management Letter for the fiscal year ended September 30, 2018**

### **13-02:**

*The auditor noted that the District was unable to maintain the Reserve account balance requirement for the Series 2006A Bonds.*

### **District response to the finding:**

*The Bondholders for the Series 2006A Bonds has directed the Trustee to not replenish the Series 2006A-1 Reserve Account or the Series 2006A-2 Reserve Account to the levels required under the Indenture at this time, but only upon receipt of further direction from the majority of Bondholders to do so. Per Note 6 in the notes to financial statements, in August 2018 the District issued S2018 bonds to refund and defease the Series 2006A-1 bonds and a portion of the Series 2006A-2 bonds.*



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Scott Brizendine  
Treasurer  
Connerton West Community Development District