## **Towne Park Community Development District**

#### **FINANCIAL STATEMENTS**

September 30, 2016



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#### INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors Towne Park Community Development District Polk County, Florida

#### 2 2 2

Carr, Riggs & Ingram, LLC Certified Public Accountants 500 Grand Boulevard Suite 210 Miramar Beach, Florida 32550

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#### Report on the Financial Statements

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

#### Management's Responsibility for the Financial Statements

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 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 auditors' 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, 2016, and the respective changes in financial position 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 and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

CARR, RIGGS & INGRAM, LLC

Can Rigge & Ingram, L.L.C.

Miramar Beach, Florida June 8, 2017 **Management's Discussion And Analysis** 

Our discussion and analysis of the Towne Park Community Development District's financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2016. Please read it in conjunction with the District's financial statements, which begin on page 8.

#### FINANCIAL HIGHLIGHTS

- At September 30, 2016, the liabilities of the District exceed its assets by approximately \$352,000 (deficit net position).
- During the fiscal year ended September 30, 2016, the District established infrastructure of approximately \$855,000.
- During the year ended September 30, 2016, the District issued Series 2016 Special Assessment Bonds totaling \$2,960,000, and incurred bond issuance costs totaling approximately \$220,000.

#### USING THE ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities on pages 8 –9 provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 10. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

#### Reporting the District as a Whole

Our analysis of the District as a whole begins on page 4. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and related changes during the current year. You can think of the Districts' net position – the difference between assets and liabilities – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors; however, such as changes in the District's assessment base and the condition of the District's infrastructure, to assess the overall health of the District.

#### Reporting the District's Most Significant Funds

Our analysis of the District's major funds begins on page 5. The fund financial statements begin on page 9 and provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants. All of the District's funds are governmental fund-types.

Governmental funds – All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

#### THE DISTRICT AS A WHOLE

The following table reflects the condensed Statement of Net Position and is compared to the prior year.

September 30,	2016	2015	15 Chang		
Assets					
Current and other assets	\$ 2,056,118	\$ 18,531	\$	2,037,587	
Construction in progress	855,069	-		855,069	
Total assets	\$ 2,911,187	\$ 18,531	\$	2,892,656	
Liabilities and deferred inflows of resources					
Current liabilities	\$ 221,200	\$ 5,347	\$	215,853	
Other liabilities	3,037,041	84,150		2,952,891	
Total liabilities	3,258,241	89,497		3,168,744	
Deferred inflows of resources					
Deferred inflows of resources	4,820	-		4,820	
Net position					
Net investment in capital assets	(396,962)	<u>/</u>		(396,962)	
Restricted for:					
Capital projects	169,509	-		169,509	
Unrestricted	(124,421)	(70,966)		(53,455)	
Total net position (deficit)	(351,874)	(70,966)		(280,908)	
Total liabilities, deferred inflows of resources and					
net position	\$ 2,911,187	\$ 18,531	\$	2,892,656	

For more detailed information, see the accompanying Statement of Net Position.

During the fiscal year ended September 30, 2016, total assets and liabilities increased by approximately \$2.9 million and \$3.2 million, respectively. Both increases are related to the issuance of the Series 2016 Bonds during the year ended September 30, 2016.

The following schedule compares the Statement of Activities for the current and previous fiscal year.

Year ended September 30,	2016 2015			Change		
Revenues:						
Program revenues:						
Grants and contributions	\$	46,348	\$	75,964	\$	(29,616)
General revenues:						
Interest and other revenues		3				3_
Total revenues		46,351		75,964		(29,613)
Expenses:						
General government		56,797		146,930		(90,133)
Cost of issuance		220,921		100		220,921
Interest		49,541		-		49,541
Total expenses		327,259		146,930		180,329
Change in net position		(280,908)		(70,966)		(209,942)
Net position (deficit), beginning		(70,966)		×=		(70,966)
Net position (deficit), ending	\$	(351,874)	\$	(70,966)	\$	(280,908)

For more detailed information, see the accompanying Statement of Activities.

Revenues decreased from the prior year while expenses increased over prior year by approximately \$30,000 and \$180,000, respectively. The decrease in revenues is primarily due to a decrease in funding needed to pay for the operating expenses of the District. The increase in expenses is primarily due to the bond issuance costs and interest that were incurred in the current fiscal year. The overall result was a \$280,908 decrease in net position for fiscal year 2016.

#### THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 10) reported a combined fund balance of approximately \$1.9 million. Significant transactions are discussed below.

- During the year ended September 30, 2016, the District incurred capital outlay of approximately \$855,000 towards construction of infrastructure.
- During the year ended September 30, 2016, the District issued Series 2016 Special Assessment Bonds totaling \$2,960,000, and incurred bond issuance costs totaling approximately \$220,000.

#### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At September 30, 2016, the District had approximately \$855,000 invested in capital assets (under construction). This amount represents a net increase of approximately \$855,000 from fiscal year 2015 total.

September 30,	 2016	201	5	Change	
Capital assets not being depreciated	\$ 855,069	\$		\$ 855,069	
Net capital assets	\$ 855,069	\$	<u> </u>	\$ 855,069	

More information about the District's capital assets is presented in Note 4 to the financial statements.

#### Debt

At September 30, 2016, the District had approximately \$3 million of bonds outstanding. This amount represents a net increase of \$3 million from the fiscal year 2015 total, as the bonds were issued in fiscal year 2016.

A listing of debt amounts outstanding for the current and prior year is as follows:

September 30,	2016	2015			Change		
Series 2016 bonds	\$ 2,960,000	\$	;( <del></del>	\$	2,960,000		
Due to developer	77,041		84,150		(7,109)		
Total	\$ 3,037,041	\$	84,150	\$	2,952,891		

More information about the District's long-term debt is presented in Note 5 to the financial statements.

#### **GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS**

An Operating budget was established by the governing board for the District pursuant to the requirements of Florida Statutes. The budget to actual comparison for the general fund, including the original budget and final adopted budget, is shown at page 22.

The District experienced unfavorable variance in revenues and favorable variance in expenditures as compared to the budget in the amount of \$134,926 and \$123,903, respectively. The variances occurred primarily due to anticipated budgeted operating expenditures, including certain maintenance and operations expenditures, which were not incurred during the year and the related impact on Developer funding.

#### **FUTURE FINANCIAL FACTORS**

Towne Park Community Development District is an independent special district that operates under the provisions of Chapter 190, Florida Statutes. The District operates under an elected Board of Supervisors, which establishes policy and sets assessment rates. Assessment rates for fiscal year 2017 were established to provide for the operations of the District as well as the necessary debt service requirements.

#### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. If you have questions about this report or need additional financial information, contact the Towne Park Community Development District's management company at 12051 Corporate Blvd, Orlando, Florida 32817.

**Basic Financial Statements** 

## Towne Park Community Development District Statement of Net Position

September 30,	2016	2016 Governmental				
	Governme					
	Activiti	es				
Assets						
Cash and cash equivalents	\$ 2,04	18,946				
Accounts receivable		2,352				
Prepaid expenses		4,820				
Construction in progress	85	5,069				
Total assets	2,91	.1,187				
Liabilities						
Accounts payable		4,726				
Retainage payable		6,933				
Accrued interest payable	4	9,541				
Non-current liabilities:						
Due to the Developer	7	7,041				
Bonds payable	2,96	0,000				
Total liabilities	3,25	8,241				
Deferred inflow of resources						
Deferred revenue		4,820				
Total deferred inflow of resources		4,820				
Net position						
Net investment in capital assets	(39	6,962)				
Restricted for:						
Capital projects		9,509				
Unrestricted	(12	4,421)				
Total net position (deficit)	\$ (35	1,874)				

## Towne Park Community Development District Statement of Activities

Year ended September 30,	2016							
							Ne	t (Expense)
							Re	venue and
							C	hanges in
				<u>Program</u>	Revenue	<u>s</u>	<u>N</u>	et Position
			C	perating	Capi	tal		
			G	rants and	Grants	and	Go	vernmental
Functions/Programs		Expenses	Coi	ntributions	Contrib	utions	1	Activities
Primary government:								
Governmental activities:								
General government	\$	(56,797)	\$	45,771	\$	120	\$	(11,026)
Cost of issuance		(220,921)		-		-		(220,921)
Interest		(49,541)		61		516		(48,964)
w., 1		(227.250)		45.022		F4.6		(200 011)
Total governmental activities	\$	(327,259)	Ş	45,832	\$	516		(280,911)
	C							
		neral revenu						3
		nterest and o	uner	revenues				<u> </u>
		Total genera	al rev	/eniles				3
	Ţ <del>-</del>	Total genera	11100	rendes				
	Cha	nge in net po	ositio	on				(280,908)
	Net	position (de	ficit)	- beginning	of year			(70,966)
	Net	position (de	ficit)	- end of ye	ar		\$	(351,874)

#### Towne Park Community Development District Balance Sheet – Governmental Funds

September 30,	2016								
								Total	
						Capital	Governmen		
-	G	General	De	ebt Service		Projects		Funds	
Assets									
Cash and cash equivalents	\$	2,475	\$	273,501	\$	1,772,970	\$	2,048,946	
Accounts receivable		2,352		_		=		2,352	
Prepaid expenditures		4,820		=		_		4,820	
Total assets	\$	9,647	\$	273,501	\$	1,772,970	\$	2,056,118	
			ne:						
Liabilities, deferred inflows of res	ources	and fund b	palai	nces					
Liabilities		12 222	•		_		_	44.55	
Accounts payable	\$	2,666	\$	<del>=</del> 1	\$	112,060	\$	114,726	
Retainage payable						56,933		56,933	
Total liabilities		2,666				168,993		171,659	
Deferred inflows of resources									
Deferred revenue		4,820						4,820	
Total deferred inflows									
of resources		4,820		: <del> </del>				4,820	
Fund balance									
Nonspendable		4,820		\.		_		4,820	
Restricted for debt service		-		273,501		_		273,501	
Restricted for capital projects		-		UNIVER NO STORTSON		1,603,977		1,603,977	
Unassigned		(2,659)		-		-		(2,659)	
Total fund balance		2,161		273,501		1,603,977		1,879,639	
Total liabilities, deferred inflows and					9411	6 MMEN - 18 MARKS			
fund balance	\$	9,647	\$	273,501	\$	1,772,970	\$	2,056,118	

## Towne Park Community Development District Reconciliation of the Balance Sheet of Governmental Funds to the Statements of Net Position

September 30,	 2016
Total fund balances, governmental funds	\$ 1,879,639
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund level statements	855,069
Developer advances are recorded as a liability on the Statement of Net Position but are treated as other financing sources on the fund level financial statements.	(77,041)
Liabilities not due and payable from current resources, including accrued interest, are not reported in the fund level statements.	(3,009,541)
Total net position (deficit) - governmental activities	\$ (351,874)

# Towne Park Community Development District Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

Year ended September 30,	2016							
								Total
						Capital	Go	overnmental
		General	D	ebt Service		Projects		Funds
Revenues								
Developer contributions	\$	45,771	\$	-	\$	-	\$	45,771
Interest and other revenues		3		61		516		580
Total revenues		45,774		61		516		46,351
Expenditures								
Current:								
<b>General government</b>		56,797		( <del>=</del> )		,57		56,797
Debt service:								
Repayment of developer advances		-		=		135,524		135,524
Cost of issuance		.50		1 <del></del> 1		220,921		220,921
Capital outlay				(=)		855,069		855,069
Total expenditures		56,797				1,211,514		1,268,311
Excess (deficit) of revenues over								Amoree Commission to Management Commission
expenditures		(11,023)		61		(1,210,998)		(1,221,960)
Other Financing Sources (Uses)						1972/127 (276 28		
Developer advances		<del>-</del> 51				128,415		128,415
Debt Proceeds		=1		273,440		2,686,560		2,960,000
T . I . I . C				272 440		2.014.075		2 000 415
Total other financing sources (uses)		<b>5</b> 3		273,440		2,814,975		3,088,415
Not shange in fund halances		(11,023)		273,501		1,603,977		1,866,455
Net change in fund balances		(11,023)		273,301		1,003,377		1,000,433
Fund balances, beginning of year		13,184				: <del>=</del> .		13,184
					0.26			
Fund balances, end of year	\$	2,161	\$	273,501	\$	1,603,977	\$	1,879,639

## Towne Park Community Development District Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year ended September 30,	2016
Net change in fund balances - governmental funds	\$ 1,866,455
Capital outlay, reported as expenditures in the government funds, is shown as capital assets on the Statement of Net Position	855,069
Bond proceeds, which are recorded as other financing source in the governmental fund statements, are recognized as long-term liabilities in the Statement of Net Position.	
Developer advances and repayments are recorded as other financing sources and uses on the fund level financial statements but are treated as a liability on the Statement of Activities. This is the amount that advance repayments exceed	
advances in the current year.	7,109
The change in accrued interest between the current and prior year is recorded on the Statement of Activities but not on the fund financial statements.	(49,541)
Change in net position of governmental activities	\$ (280,908)

#### NOTE 1: NATURE OF ORGANIZATION

The Towne Park Community Development District (the "District") was established on November 3, 2014 pursuant to Chapter 190, Florida Statutes, by Polk County Ordinance 5476. The District has among other things, the power to manage basic services for community development, power to borrow money and issue bonds, and the power to levy ad valorem taxes 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 a Board of Supervisors ("Board"), which is comprised of five members. The Supervisors are elected on an at large basis by the owners of the property within the District. Certain supervisors are affiliated with the Developer of the District, TP Land Investors, LLC. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has the final responsibility for:

- 1. Assessing and levying assessments.
- 2. Approving budgets.
- 3. Exercising control over facilities and properties.
- 4. Controlling the use of funds generated by the District.
- 5. Approving the hiring and firing of key personnel.
- 6. Financing improvements.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth by Generally Accepted Accounting Principles (GAAP) as defined by the Governmental Accounting Standards Board (GASB) in statements No. 14 and No. 61. Based on the foregoing criteria, no potential component units were found.

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

The accounting policies of the District conform to GAAP as applicable to governments in accordance with those promulgated by GASB. The following is a summary of the more significant policies:

#### Government-wide and Fund Financial Statements

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

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

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by assessments, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The business-type activities are reported separately in government-wide financial statements; however, at September 30, 2016, the District did not have any significant business-type activities. Therefore, no business-type activities are reported. Assessments and other items not properly included as program revenues (i.e., charges to customers or applicants who purchase, use, or directly benefit from goods or services) are reported as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### Measurement Focus, Basis of Accounting and Basis of 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 the related cash flows. Assessments are recognized as revenues in the year for which they are levied. Grants and other 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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Developer contributions and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal 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 major governmental funds:

<u>General Fund</u> – The General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in other funds.

<u>Debt Service Fund</u> – 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 for the Series 2016 Bonds.

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

<u>Capital Projects Fund</u> – The Capital Projects Fund accounts for the financial resources to be used in the acquisition or construction of major infrastructure within the District.

For the year ended September 30, 2016, the District does not report any proprietary funds. 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. When committed, assigned, or unassigned resources are available for use in the governmental fund financial statements, it is the government's policy to use committed resources first, followed by assigned resources, then unassigned resources as needed.

#### Cash, Deposits and Investments

The District maintains deposits with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. All Qualified Public Depositories must place with the Treasurer of the State of Florida securities in accordance with collateral requirements determined by the State's Chief Financial Officer. In the event of default by a Qualified Public Depository, the State Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories.

Under this method, all the District's deposits are fully insured or collateralized at the highest level of security as defined by GASB, Statement Number 40, Deposits and Investment Disclosures (An Amendment of GASB, Statement Number 3).

The District is authorized to invest in financial instruments as established by Section 218.415, Florida Statutes. The authorized investments include among others direct obligations of the U.S. Treasury; the Local Government Surplus Trust Funds as created by Section 218.405, Florida Statutes; SEC registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and interest-bearing time deposits or savings accounts in authorized financial institutions.

#### Capital Assets

Capital assets, which include primarily infrastructure assets (e.g., roads, sidewalks, water management systems and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial/individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost and estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value at the date of donation.

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government will be depreciated using the straight-line method over the estimated useful lives. Estimated lives for financial reporting purposes once will be determined with items are placed into service.

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.

#### **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 or effective interest method. Bonds payable are reported net of these premiums or discounts. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current period expenses. Due to developer amounts represent developer advances that are expected to be repaid upon the issuance of long-term bonds.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt are reported as other financing uses. Issuance costs, whether or note from the actual debt proceeds received, are reported as current period expenditures.

#### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes include 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 of this type of item at September 30, 2016.

In addition to liabilities, the accompanying statements 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 has one item, deferred revenues, that qualifies for this treatment at September 30, 2016.

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

#### **Fund Equity**

Net position in the government-wide financial statements is categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net assets related to infrastructure and property, plant and equipment net of any related debt. Restricted net position represents the net position restricted by the District's bond covenants.

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the District board through approval of resolutions. Assigned fund balance is a limitation imposed by a designee of the District board. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes.

#### **Budgets**

The District is required to establish a budgetary system and an approved annual budget. Annual budgets are legally adopted on a basis consistent with GAAP for the General Fund. Any revision to the budget must be approved by the District Board. The budgets are compared to actual expenditures. In instances where budget appropriations and estimated revenues have been revised during the year, budget data presented in the financial statements represent final authorization amounts. 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 comments.
- C. Prior to October 1, the budget is legally adopted by the District Board.
- D. All budget changes must be approved by the District Board.
- E. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

#### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **NOTE 3: CONCENTRATION**

A significant portion of the District's activity going forward is dependent upon the continued involvement of the Developer TP Land Investors, LLC, which currently owns the majority of the assessable property located within the District boundaries. The loss of support could potentially have a material adverse effect on the District's operations.

During the current year, the Developer contributed approximately \$46,000 to the District for operations and maintenance costs. As of September 30, 2016, a total of \$77,041 is due to the Developer. This amount is related to long-term developer advances to fund the construction of infrastructure. Due to developer activity for the year is detailed in Note 5.

#### **NOTE 4: CAPITAL ASSETS**

The following is a summary of changes in the capital assets for the year ended September 30, 2016:

	Beginnir	ng					Ending
	Balance		<b>Additions</b>		Transfers		Balance
Governmental Activities:							
Capital assets not being depreciated							
Construction in progress	\$	-	\$	855,069	\$	<u>12</u> 9	\$ 855,069
Total capital assets, not being depreciated		-		855,069			855,069
Governmental activities capital assets, net	\$	æ	\$	855,069	\$		\$ 855,069

The total projected cost of the infrastructure has been estimated at approximately \$8.8 million, of which approximately \$2.45 million is expected to be financed with the proceeds from the 2016 Bond Series with the remainder to be funded by the Developer. The infrastructure will include stormwater management, water and sewer facilities, roadways, landscaping and hardscaping and amenities. Upon completion certain assets will be conveyed to other entities for ownership and/or maintenance.

#### **NOTE 5: LONG-TERM LIABILITIES**

On June 13, 2016, the District issued \$2,960,000 of Special Assessment Bonds, Series 2016 consisting of \$675,000 2016 Term Bonds due on November 1, 2028 with a fixed interest rate of 5.00%, and \$2,285,000 of 2016 Term Bonds due on November 1, 2046 with a fixed interest rate of 5.75%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is paid semiannually on each May 1 and November 1. Principal is paid serially commencing on November 1, 2017 through November 1, 2046.

#### NOTE 5: LONG-TERM LIABILITIES (Continued)

The Bond Indenture has certain restrictions and requirements relating principally to the use of proceeds to pay for infrastructure improvements and the procedure to be followed by the District on assessments to property owners. The District agreed to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the debt service reserve requirement. The District is in compliance with the requirements of the Bond Indenture.

The Bond Indenture requires that the District maintain adequate funds in the reserve account to meet the debt service reserve requirement as defined in the Indenture. The requirement has been met for the fiscal year ended September 30, 2016.

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

		Beginning					Ending	Du	e Within	
-		Balance		Additions	Reductions		Balance		One Year	
Governmental Activit	ties									
Bonds Payable:										
Series 2016	\$	72-	\$	2,960,000	\$ -	\$	2,960,000	\$	13 <u>4</u>	
Due to Developer		84,150		128,415	135,524		77,041			
200 LO	\$	84,150	\$	3,088,415	\$ 135,524	\$	3,037,041	\$	-	

At September 30, 2016, the scheduled debt service requirements on long-term debt were as follows:

Year Ending September 30,	Principal	Interest	Total Debt Service		
2017	\$ -	\$ 145,871	\$ 145,871		
2018	45,000	164,013	209,013		
2019	45,000	161,763	206,763		
2020	45,000	159,513	204,513		
2021	50,000	157,138	207,138		
2022-2026	285,000	745,563	1,030,563		
2027-2031	360,000	663,793	1,023,793		
2032-2036	475,000	546,968	1,021,968		
2037-2041	630,000	389,562	1,019,562		
2042-2046	1,025,000	186,156	1,211,156		
<u> </u>	\$ 2,960,000	\$ 3,320,340	\$ 6,280,340		

#### **NOTE 6: 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 maintains commercial insurance coverage to mitigate the risk of loss. Coverage may not extend to all situations. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. The District has not incurred any losses or received any insurance claims exceeding the commercial coverage in the previous three years.

#### **NOTE 7: MANAGEMENT COMPANY**

The District has contracted with a management company to perform management advisory services, which include financial and accounting advisory services. Certain employees of the management company also serve as officers (Board appointed non-voting positions) of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, and other administrative costs.

#### **NOTE 8: COMMITMENTS**

The District has \$1.9 million remaining on contracts for various construction projects. The original contract amount totaled \$2.4 million. The District expects the project to be completed in 2017.

Required Supplemental Information (Other Than MD&A)

#### Towne Park Community Development District Budget to Actual Comparison Schedule – General Fund

Year ended September 30,	2016						
	Original and Final Budget		Actual Amounts		Variance with Final Budget		
Revenues							
Developer contributions	\$	180,700	\$	45,771	\$	(134,929)	
Interest and other revenues		===		3		3	
Total revenues		180,700		45,774		(134,926)	
Expenditures							
General government		105,700		56,797		48,903	
Maintenance and operations		75,000		**************************************		75,000	
Total expenditures		180,700		56,797		123,903	
Excess of revenues over expenditures	\$	2.2°	\$	(11,023)	\$	(11,023)	



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## 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 Towne Park Community Development District Polk 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 Towne Park Community Development District (hereinafter referred to as the "District"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report dated June 8, 2017.

#### **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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified a deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency identified as IC2016-001 on the following page to be a material weakness.

#### IC2016-001: Construction Contract Payables and Retainage

- Condition: As part of our audit procedures, we identified approximately \$125,000 of construction contracts payable and retainage that were not accrued on the District's financial statements as of September 30, 2016 even though the work was performed prior to year-end.
- Criteria: Internal controls relating to the annual financial close process should be in place to provide reasonable assurance that expenditures are appropriate and properly accrued.
- Cause: The construction expenditures were from one specific payment application and appear to have been overlooked when District staff was preparing its annual financial report. The payment application included a current amount due and retainage payable.
- Effect: Construction contract liabilities, retainage payable and related expenditures on the financial statements were understated by approximately \$125,000.
- Recommendation: We recommend the District review construction vendor activity within a
  reasonable timeframe from year-end to ensure that all applicable contract liabilities are
  identified and recorded. This is particularly important when an active infrastructure
  construction project is in process.
- Management Response: The District has already taken further steps to ensure that this
  oversight is avoided in the future.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

CARR, RIGGS & INGRAM, LLC

Can Rigge & Ingram, L.L.C.

Miramar Beach, Florida June 8, 2017



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#### MANAGEMENT LETTER

To the Board of Supervisors Towne Park Community Development District Polk County, Florida

#### **Report on the Financial Statements**

We have audited the financial statements of Towne Park Community Development District ("District") as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated June 8, 2017.

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

#### **Other Reports**

We have issued our Independent Auditors' 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 Accountant'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 these reports, which are dated June 8, 2017, 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. There were no findings or recommendations made in the preceding annual audit report.

#### Official Title and Legal Authority

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

#### **Financial Condition**

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

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the 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.

#### **Annual Financial Report**

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

#### Other Matters

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

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

#### Purpose of this Letter

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

CARR, RIGGS & INGRAM, LLC

Can, Rigge & Ingram, L.L.C.

Miramar Beach, Florida June 8, 2017



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#### INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Supervisors Towne Park Community Development District Polk County, Florida

We have examined Towne Park Community Development District's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2016. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

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

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

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

CARR, RIGGS & INGRAM, LLC

Can, Rigge & Ingram, L.L.C.

Miramar Beach, Florida June 8, 2017