

CONCORDE ESTATES  
COMMUNITY  
DEVELOPMENT  
DISTRICT

FINANCIAL STATEMENTS

Year Ended September 30, 2015

CONCORDE ESTATES COMMUNITY DEVELOPMENT DISTRICT

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Year Ended September 30, 2015

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
*Concorde Estates 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 Concorde Estates Community Development District (the "District") as of and for the year ended September 30, 2015, 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.

### Auditor's Responsibility

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

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

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

**MCDIRMIT DAVIS & COMPANY, LLC**

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TELEPHONE: 407-843-5406 FAX: 407-649-9339 EMAIL: INFO@MCDIRMITDAVIS.COM

## **Opinions**

### *Basis for Adverse Opinion Due to Component Unit*

Management has not included financial data for the Special Purpose Entity ("SPE"), which is a legally separate discrete component unit. Accounting principles generally accepted in the United States of America require financial data of this component unit to be reported with the financial data of the District if the nature and significance of its relationship with the District is such that, if excluded, the financial statements of the District would be considered misleading. We believe that the exclusion of the financial data of the above mentioned component unit results in financial statements that are misleading. The amount by which this departure would affect the assets, liabilities, net position, revenues and expenses of the governmental activities is not reasonably determinable.

### *Adverse Opinion Due to Component Unit*

In our opinion, because of the omission of the discretely presented component unit, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and the changes in financial position of the governmental activities of the District as of September 30, 2015, or the changes in financial position thereof for the fiscal year then ended.

### *Unmodified Opinions on Major Funds*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, as of September 30, 2015, 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 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 May 9, 2016 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 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.

*McDiernit Davis & Company, LLC*

Orlando, Florida  
May 9, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the *Concorde Estates Community Development District's*, (the "District") financial accomplishments provide an overview of the District's financial activities for the year ended September 30, 2015. 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 liabilities of the District exceeded its assets at September 30, 2015 by \$9,228,307, an increase in the deficit of \$774,745 in comparison with the prior year.
- At September 30, 2015, the District's governmental funds reported a total fund balance deficit of \$(4,716,164), an increase in the deficit of \$348,405 in comparison with the prior year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the *Concorde Estates 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 and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will 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, culture and recreation, and public safety 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 two individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and debt service fund. The general fund and debt service fund are considered to be major funds.

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

### Notes to 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 \$(9,228,307) at September 30, 2015. The analysis that follows focuses on the net position of the District's governmental activities.

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

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

Concorde Estates Community Development District  
Statement of Net Position

	<b>September 30, 2015</b>	<b>September 30, 2014</b>
Assets, excluding capital assets	\$ 1,637,251	\$ 1,610,220
Capital Assets, net of depreciation	<u>10,668,693</u>	<u>10,996,463</u>
Total assets	<u>12,305,944</u>	<u>12,606,683</u>
Liabilities, excluding long-term liabilities	6,668,504	6,296,846
Long-term Liabilities	<u>14,865,747</u>	<u>14,763,399</u>
Total liabilities	<u>21,534,251</u>	<u>21,060,245</u>
Net Position:		
Net investment in capital assets	474,343	857,715
Unrestricted	<u>(9,702,650)</u>	<u>(9,311,277)</u>
Total net position	<u>\$ (9,228,307)</u>	<u>\$ (8,453,562)</u>

The following is a summary of the District's governmental activities for the fiscal years ended September 30, 2015 and 2014.

Changes in Net Position  
Year ended September 30,

	<b>2015</b>	<b>2014</b>
Revenues:		
Program revenues	\$ 1,256,025	\$ 2,241,287
General revenues	<u>7,521</u>	<u>8,092</u>
Total revenues	<u>1,263,546</u>	<u>2,249,379</u>
Expenses:		
General government	117,336	110,136
Physical environment	758,180	772,242
Culture and recreation	127,990	138,207
Public safety	15,936	19,308
Interest on long-term debt	<u>1,018,849</u>	<u>1,041,875</u>
Total expenses	<u>2,038,291</u>	<u>2,081,768</u>
Change in net position	(774,745)	167,611
Net position - beginning	<u>(8,453,562)</u>	<u>(8,621,173)</u>
Net position - ending	<u>\$ (9,228,307)</u>	<u>\$ (8,453,562)</u>

As noted above and in the statement of activities, the cost of all governmental activities during the year ended September 30, 2015 was \$2,038,291. The majority of these costs are interest on long term debt and physical environment expense.

## 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, 2015, the District's governmental funds reported a combined ending fund deficit of \$(4,716,164). Of this total, \$20,716 is nonspendable, \$88,866 is assigned and the remaining negative fund balance of \$(4,825,746) is unassigned.

The fund balance in the general fund increased because special assessments exceeded expenditures. The debt service fund balance decreased because the District is not collecting enough debt service special assessments to service the bonds.

### 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, 2015 general fund budget. The legal level of budgetary control is at the fund level.

### Capital Asset and Debt Administration

**Capital Assets** - At September 30, 2015, the District had \$10,668,693 invested in capital assets, net of accumulated depreciation. More detailed information about the District's capital assets is presented in the notes to the financial statements.

**Capital Debt** - At September 30, 2015, the District had \$18,845,747 in bonds outstanding, including \$3,980,000 of matured bonds payable and \$1,363,009 of accreted interest. More detailed information about the District's capital debt is presented in the notes to the financial statements.

### Requests for Information

If you have questions about this report or need additional financial information, contact the *Concorde Estates Community Development District's* Finance Department at 3434 Colwell Avenue, Suite 200, Tampa, Florida 33614.

## **FINANCIAL STATEMENTS**

CONCORDE ESTATES COMMUNITY DEVELOPMENT DISTRICT

**STATEMENT OF NET POSITION**

September 30, 2015

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash	\$ 1,015,401
Investments	669
Due from special purpose entity	55,873
Prepaid costs	20,716
Restricted assets:	
Temporarily restricted investments	544,592
Capital assets:	
Capital assets not being depreciated	6,375,461
Capital assets being depreciated, net	<u>4,293,232</u>
Total assets	<u>12,305,944</u>
<b>Liabilities:</b>	
Accounts payable and accrued expenses	19,360
Matured bonds payable	3,980,000
Matured interest payable	2,354,055
Accrued interest payable	315,089
Noncurrent liabilities:	
Due within one year	170,000
Due in more than one year	<u>14,695,747</u>
Total liabilities	<u>21,534,251</u>
<b>Net Position:</b>	
Net investment in capital assets	474,343
Unrestricted	<u>(9,702,650)</u>
Total net position	<u><u>\$ (9,228,307)</u></u>

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

CONCORDE ESTATES COMMUNITY DEVELOPMENT DISTRICT

**STATEMENT OF ACTIVITIES**

Year Ended September 30, 2015

<b><u>Functions/Programs</u></b>	<b><u>Expenses</u></b>	<b><u>Program Revenue Charges for Services</u></b>	<b><u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u></b>
Governmental Activities:			
General government	\$ 117,336	\$ 84,820	\$ (32,516)
Physical environment	758,180	548,080	(210,100)
Culture and recreation	127,990	92,523	(35,467)
Public safety	15,936	11,520	(4,416)
Interest on long-term debt	1,018,849	519,082	(499,767)
Total governmental activities	<u>\$ 2,038,291</u>	<u>\$ 1,256,025</u>	(782,266)
General Revenues:			
Investment and miscellaneous income			7,521
Change in net position			(774,745)
Net Position - beginning			(8,453,562)
Net Position - ending			<u>\$ (9,228,307)</u>

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

CONCORDE ESTATES COMMUNITY DEVELOPMENT DISTRICT

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

September 30, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Cash	\$ 1,015,401	\$ -	\$ 1,015,401
Investments	669	544,592	545,261
Due from special purpose entity	55,873	-	55,873
Prepaid costs	20,716	-	20,716
Total assets	<u>\$ 1,092,659</u>	<u>\$ 544,592</u>	<u>\$ 1,637,251</u>
<b>Liabilities and Fund Balances:</b>			
Liabilities:			
Accounts payable and accrued expenses	\$ 19,360	\$ -	\$ 19,360
Matured bonds payable	-	3,980,000	3,980,000
Matured interest payable	-	2,354,055	2,354,055
Total liabilities	<u>19,360</u>	<u>6,334,055</u>	<u>6,353,415</u>
Fund balances:			
Nonspendable	20,716	-	20,716
Assigned for subsequent year's expenditures	14,566	-	14,566
Assigned for capital reserves	74,300	-	74,300
Unassigned	963,717	(5,789,463)	(4,825,746)
Total fund balances	<u>1,073,299</u>	<u>(5,789,463)</u>	<u>(4,716,164)</u>
Total liabilities and fund balances	<u>\$ 1,092,659</u>	<u>\$ 544,592</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.	10,668,693
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Accrued interest payable	(315,089)
Bonds payable	<u>(14,865,747)</u>
Net Position of Governmental Activities (page 7)	<u>\$ (9,228,307)</u>

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

CONCORDE ESTATES COMMUNITY DEVELOPMENT DISTRICT

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

Year Ended September 30, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Special assessments	\$ 736,943	\$ 519,082	\$ 1,256,025
Investment and miscellaneous income	7,521	-	7,521
Total revenues	<u>744,464</u>	<u>519,082</u>	<u>1,263,546</u>
<b>Expenditures:</b>			
Current:			
General government	117,336	-	117,336
Physical environment	440,343	-	440,343
Culture and recreation	118,057	-	118,057
Public safety	15,936	-	15,936
Debt Service:			
Interest	-	765,279	765,279
Principal	-	155,000	155,000
Total expenditures	<u>691,672</u>	<u>920,279</u>	<u>1,611,951</u>
Net change in fund balances	52,792	(401,197)	(348,405)
<b>Fund Balances (Deficit) - beginning of year</b>	<u>1,020,507</u>	<u>(5,388,266)</u>	<u>(4,367,759)</u>
<b>Fund Balances (Deficit) - end of year</b>	<u>\$ 1,073,299</u>	<u>\$ (5,789,463)</u>	<u>\$ (4,716,164)</u>

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

CONCORDE ESTATES 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, 2015

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

Net Change in Fund Balances - total governmental funds (page 10) \$ (348,405)

Governmental funds report capital outlays as expenditures. In the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. (327,770)

Repayments of long-term liabilities are reported as expenditures in governmental funds, while repayments reduce long-term liabilities in the statement of net position. 155,000

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.

Accrued and accreted interest (253,570) (253,570)

Change in Net Position of Governmental Activities (page 8) \$ (774,745)

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

CONCORDE ESTATES COMMUNITY DEVELOPMENT DISTRICT

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

Year Ended September 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>Revenues:</b>				
Special Assessments	\$ 757,770	\$ 757,770	\$ 736,943	\$ (20,827)
Investment and Miscellaneous Income	-	-	7,521	7,521
Total revenues	<u>757,770</u>	<u>757,770</u>	<u>744,464</u>	<u>(13,306)</u>
<b>Expenditures:</b>				
Current:				
General government	123,460	123,460	117,336	6,124
Physical environment	481,132	481,132	440,343	40,789
Culture and recreation	126,890	126,890	118,057	8,833
Public safety	26,288	26,288	15,936	10,352
Total expenditures	<u>757,770</u>	<u>757,770</u>	<u>691,672</u>	<u>66,098</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>52,792</u>	<u>52,792</u>
<b>Fund Balance - beginning of year</b>	<u>1,020,507</u>	<u>1,020,507</u>	<u>1,020,507</u>	<u>-</u>
<b>Fund Balance - end of year</b>	<u>\$ 1,020,507</u>	<u>\$ 1,020,507</u>	<u>\$ 1,073,299</u>	<u>\$ 52,792</u>

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

**NOTES TO FINANCIAL STATEMENTS**

CONCORDE ESTATES COMMUNITY DEVELOPMENT DISTRICT

**NOTES TO FINANCIAL STATEMENTS**

Year Ended September 30, 2015

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

**Reporting Entity**

The *Concorde Estates Community Development District*, (the "District") was established on November 3, 2003 by Osceola County Ordinance 03-33, 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. All of the Supervisors 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. In a prior year, the Developer, D.R. Horton, Inc. ("Developer") deeded their property in lieu of foreclosure to Maxcy Development Group Holdings - Concorde Estates, Inc., a Special Purpose Entity ("SPE").

The Board has 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 Governmental Accounting Standards Board ("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 (component units) 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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2015

**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, 2) grants, contributions and investment earnings 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, except for Developer receivables for retainage, which are collected from the Developer when the amount is due to the contractor. 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 special assessments are levied by the District prior to the start of the fiscal year which begins October 1<sup>st</sup> and ends on September 30<sup>th</sup>. These assessments are imposed upon all benefited 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. Certain debt service assessments are collected upon the closing of those lots subject to short term debt and are used to prepay a portion of the bonds outstanding.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2015

**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 and debt service 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.

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. The District's investments consist of investments authorized per their investment policy adopted 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.

CONCORDE ESTATES COMMUNITY DEVELOPMENT DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2015

**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 estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Stormwater System	25
Landscaping	15
Parks and Rec	15
Building	30

**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. Bonds payable are reported net of premiums or discounts.

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 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, 2015.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2015

**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, 2015.

**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, 2015

**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:**

**A. 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, 2015

**Note 2 - Stewardship, Compliance and Accountability (Continued):**

**B. Deficit Fund Balance**

At September 30, 2015, the debt service fund had a fund balance deficit of \$(5,789,463).

**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**

Investments are stated at fair value, which is the amount for which an investment could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale. Fair value is based on quoted market prices. Changes in the fair value of investments are recognized as revenue and included in investment revenue. Investment revenue is recognized as earned and is recorded in the respective funds related to the investment activity.

Instead of establishing a written investment policy, the District elected to limit investments to those approved by Florida Statutes and the District Trust Indenture. Authorized District investments include:

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.

CONCORDE ESTATES COMMUNITY DEVELOPMENT DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2015

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

**Investments (Continued)**

Investments made by the District at September 30, 2015 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>
First American Treasury Obligation Fund Z	\$ 544,592	AAAm	43 days
Local Government Investment Pool			
Florida Prime	669	AAAm	29 days
	<u>\$ 545,261</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. Investment ratings by investment type are included in the preceding summary of investments.

**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, 2015, 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, 2015, 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 places no limit on the amount the District may invest in any one issuer.

**Interest Rate Risk:**

The District does not have a formal policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. 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.

CONCORDE ESTATES COMMUNITY DEVELOPMENT DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2015

**Note 4 - Capital Assets:**

Capital asset activity for the year ended September 30, 2015 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	\$ 6,374,961	\$ -	\$ -	\$ 6,374,961
Infrastructure Under Construction	500	-	-	500
<b>Total Capital Assets Not Being Depreciated</b>	<b>6,375,461</b>	<b>-</b>	<b>-</b>	<b>6,375,461</b>
Capital Assets Being Depreciated:				
Stormwater System	3,519,229	-	-	3,519,229
Landscaping	1,947,495	-	-	1,947,495
Parks & Rec	149,000	-	-	149,000
Buildings	1,417,057	-	-	1,417,057
<b>Total Capital Assets Being Depreciated</b>	<b>7,032,781</b>	<b>-</b>	<b>-</b>	<b>7,032,781</b>
Less Accumulated Depreciation for:				
Stormwater System	(1,102,691)	(140,769)	-	(1,243,460)
Landscaping	(962,928)	(129,833)	-	(1,092,761)
Parks & Rec	(11,589)	(9,933)	-	(21,522)
Buildings	(334,571)	(47,235)	-	(381,806)
<b>Total Accumulated Depreciation</b>	<b>(2,411,779)</b>	<b>(327,770)</b>	<b>-</b>	<b>(2,739,549)</b>
<b>Total Capital Assets Being Depreciated, net</b>	<b>4,621,002</b>	<b>(327,770)</b>	<b>-</b>	<b>4,293,232</b>
<b>Governmental Activities Capital Assets, net</b>	<b>\$ 10,996,463</b>	<b>\$ (327,770)</b>	<b>\$ -</b>	<b>\$ 10,668,693</b>

Depreciation expense of \$317,837 was charged to physical environment expense, and \$9,933 was charged to culture and recreation expense for 2015. The project is substantially complete.

CONCORDE ESTATES COMMUNITY DEVELOPMENT DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2015

**Note 5 - Long-Term Liabilities:**

Capital Improvement Revenue Bonds Series 2004:

On March 19, 2004, the District issued \$30,020,000 of Capital Improvement Revenue Bonds Series 2004 consisting of Series 2004A Bonds of \$9,620,000 due on May 1, 2035 with a fixed interest rate of 5.85% and Series 2004B Bonds of \$20,400,000 due on May 1, 2011 with a fixed interest rate of 5%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the property within the District. Interest is due semiannually on each May 1 and November 1. Principal on the Series 2004A Bonds is due annually commencing May 1, 2006 through May 1, 2035. Principal on the Series 2004B Bonds was due in one lump sum on May 1, 2011.

The Series 2004A Bonds are subject to redemption at the option of the District in whole or in part at any time on or after May 1, 2014 at a redemption price set forth in the Bond Indenture. The Series 2004B Bonds are not subject to optional redemption. The Series 2004A and Series 2004B Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Indenture.

The Series 2004 Bonds were in default due to nonpayment of debt service. In July 2011, \$11,591,511 of the Series 2004 Bonds was exchanged for Series 2011 Bonds. The unexchanged portion of the Series 2004 Bonds of \$7,285,000 remains outstanding. As part of the restructuring, payment terms on the \$3,305,000 unexchanged Series 2004A Bonds were changed so that all principal is due on May 1, 2035. Payment terms on the \$3,980,000 unexchanged Series 2004B Bonds remains the same and all principal was due May 1, 2011. This amount was not paid and is recorded as matured bonds payable in the financial statements. As part of the restructure, there is no longer a debt service reserve requirement on the 2004 Bonds.

For the year ended September 30, 2015, no interest was paid on the Series 2004 Bonds. The current year interest due of \$392,342 was accrued to matured interest payable. No special assessment revenue was pledged for the Series 2004 Bonds. Total principal and interest remaining on the Series 2004 Bonds as of September 30, 2015 is \$13,505,909, including matured bonds payable of \$3,980,000 and matured interest payable of \$2,354,055.

The remaining unexchanged portion of the 2004 Bonds is subordinate to the Series 2011 Bonds. As a result of the restructuring, the Series 2004 Bonds are no longer secured by a lien on special assessment revenue because the assessment lien was transferred to secure the Series 2011 Bonds. The Series 2004 Bonds are payable solely from any remaining lot sale proceeds after payment of Series 2011B assessments, prepayments and SPE operating costs. After all lots have been sold and all proceeds applied, any remaining 2004 Bonds that are outstanding will be forgiven. In the current and prior years, the District continues to accrue interest expense on the 2004 Bonds to matured interest payable. The District does not accrue principal expense on the 2004A Bonds because they are no longer secured by assessments so the principal of \$3,305,000 is considered due at maturity in 2035. The 2004B principal of \$3,980,000 is reported as matured bonds payable.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2015

**Note 5 - Long-Term Liabilities (Continued):**

**Capital Improvement Revenue Bonds Series 2011:**

As discussed previously, on July 15, 2011, the District issued \$11,591,511 of Capital Improvement Revenue Bonds Series 2011 in exchange for an approximately equal amount of the outstanding Series 2004 Bonds. The exchange was as follows: \$5,265,000 of Series 2004A Bonds and \$6,330,000 of Series 2004B Bonds were exchanged for \$4,145,000 of Series 2011A-1 Bonds, \$2,294,445 of Series 2011A-2 Bonds and \$5,152,066 of Series 2011B Bonds. A rounding difference of \$3,489 resulted from this transaction.

The Series 2011A-1 Term Bonds are secured by special assessments on lots that had been sold. The assessment payments on these lots were current as of the restructuring date. The Series 2011A-1 Bonds have a fixed interest rate of 5.85% and are due on May 1, 2035. Interest is payable semiannually on each May 1 and November 1 and principal is payable annually commencing on May 1, 2012 through May 1, 2035. The Series 2011A-2 Convertible Capital Appreciation Bonds are secured by special assessments on unsold lots. The assessment payments on these lots were delinquent as of the restructuring date. The Series 2011A-2 Bonds have a fixed interest rate of 5.85% and are due on May 1, 2035. Interest accretes and is added to the Bond principal from the issuance date until the conversion date of May 1, 2013. On that date, the Bonds converted to Current Interest Bonds and interest payments became due semiannually on each May 1 and November 1, beginning on November 1, 2013. Annual principal payments begin May 1, 2014 through May 1, 2035. The Series 2011B Nonconvertible Capital Appreciation Bonds are secured by special assessments on the same lots as the 2011A-2 Bonds. The Series 2011B Bonds have a fixed interest rate of 5% and are due on May 1, 2017. Interest accretes on these bonds and is added to the bond principal from the issuance date until the maturity date of May 1, 2017, when the entire principal and accreted interest is due.

The Series 2011A Bonds are subject to redemption at the option of the District, in whole or in part at any time on or after May 1, 2014 at a redemption price as set forth in the Bond Indenture. These Bonds are also subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Registrar if certain events occur as outlined in the Bond Indenture.

The Series 2011B Bonds are not subject to redemption at the option of the District. These Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Registrar if certain events occur as outlined in the Bond Indenture.

The Bond Indenture requires that the District maintain adequate funds in reserve accounts to meet the debt service reserve requirement as defined in the Indenture. The requirement has been met at September 30, 2015.

CONCORDE ESTATES COMMUNITY DEVELOPMENT DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2015

**Note 5 - Long-Term Liabilities (Continued):**

**Capital Improvement Revenue Bonds Series 2011 (Continued):**

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 1) collect special assessments in annual installments adequate to provide payment of debt service and 2) to meet the reserve requirements. Payment of the principal and interest on the Series 2011 Bonds is secured by a pledge of and first lien upon the pledged special assessment revenue. The District is in compliance with the requirements of the Bond Indenture.

Total principal and interest remaining on the Series 2011 Bonds as of September 30, 2015 is \$16,258,138. For the year ended September 30, 2015, \$527,937 of principal and interest was paid and \$519,082 of special assessment revenue was pledged.

Bonds payable activity for the year ended September 30, 2015 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 A	\$ 3,305,000	\$ -	\$ -	\$ 3,305,000	\$ -
Series 2011A-1	3,890,000	-	(95,000)	3,795,000	105,000
Series 2011A-2	2,240,350	-	(54,093)	2,186,257	58,601
Series 2011B	4,216,481	-	-	4,216,481	-
Total bonds payable	13,651,831	-	(149,093)	13,502,738	163,601
Accreted interest payable	1,111,568	257,348	(5,907)	1,363,009	6,399
Governmental activity long-term liabilities	<u>\$ 14,763,399</u>	<u>\$ 257,348</u>	<u>\$ (155,000)</u>	<u>\$ 14,865,747</u>	<u>\$ 170,000</u>

At September 30, 2015, the scheduled debt service requirements on the bonds payable, excluding the matured bonds and interest payable, were as follows:

<b>Year Ending September 30,</b>	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2016	\$ 163,601	\$ 557,214
2017	4,389,590	2,105,796
2018	182,615	536,738
2019	197,123	525,624
2020	206,632	513,631
2021 - 2025	1,230,775	2,363,693
2026 - 2030	1,639,531	1,943,079
2031 - 2035	5,492,871	1,381,479
	<u>\$ 13,502,738</u>	<u>\$ 9,927,254</u>

CONCORDE ESTATES COMMUNITY DEVELOPMENT DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2015

**Note 6 - Related Party Transactions:**

The District recorded \$314,518 of special assessment revenue from the SPE, including \$55,873 in receivables at year end. This revenue represents 25% of total special assessment revenue.

**Note 7 - Assigned Funds:**

The District has assigned \$74,300 of the general fund balance for future repair and replacement of capital assets.

**Note 8 - Net Position:**

The District has a government-wide net deficit of \$(9,228,307) resulting from prior year conveyances of assets and nonpayment of assessments owed to the District.

**Note 9 - 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.

**Note 10 - Special Purpose Entity:**

In fiscal year 2012, the Trustee, on behalf of the bondholders, created a special purpose entity ("SPE"), Maxcy Development Group Holdings - Concorde Estates, Inc., to own, manage and dispose of land taken in lieu of foreclosure from the Developer and a significant landowner of the District. The District, Trustee and the SPE entered into a tri-party agreement whereby the SPE assumed responsibility for delinquent operating and maintenance assessments owed to the District and agreed to pay future operating and maintenance assessments. The Trustee has directed the District to temporarily defer collection of the debt service assessments encumbering the SPE property. These assessments will be held in abeyance until the District receives notice from the Trustee to the contrary. If funds are no longer available in the Trust Estate and another funding source has not been secured, the SPE may convey the property to the District (with the District's consent), the Trustee or another SPE.

**Note 11 - Subsequent Events:**

Interest payments due in November 2015 and May 2016 on the Series 2004 Bonds were not paid.

## **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  
*Concorde Estates 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 Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Concorde Estates Community Development District (the "District") as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 9, 2016, which includes an explanatory paragraph regarding the adverse opinion for the omission of the discrete component unit.

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. We consider the deficiency described in Appendix A to be a material weakness. 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 identified a deficiency that we consider to be a material weakness as described in Appendix A.

**MCDIRMIT DAVIS & COMPANY, LLC**

934 NORTH MAGNOLIA AVENUE, SUITE 100 ORLANDO, FLORIDA 32803  
TELEPHONE: 407-843-5406 FAX: 407-649-9339 EMAIL: INFO@MCDIRMITDAVIS.COM

## 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 and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the District, in a separate letter dated May 9, 2016. The District's response to our findings identified in our audit is included in this report. We did not audit the District's response, 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  
May 9, 2016

**MANAGEMENT COMMENTS**

Board of Supervisors  
 Concorde Estates Community Development District

**Report on the Financial Statements**

We have audited the financial statements of the *Concorde Estates Community Development District*, (the “District”) as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated May 9, 2016, which includes an adverse opinion for the exclusion of the discrete component unit.

**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 Reports**

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 Auditor’s Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated May 9, 2016, should be considered in conjunction with this management letter.

**Prior Audit Findings**

Section 10.554(1)(i).1., Rules of the Auditor General, require 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>2013-14 FY Finding #</b>	<b>2012-2013 FY Finding #</b>
12-01	12-01	12-01
13-01	13-01	13-01

## **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**

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires that we 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. Deteriorating financial conditions were noted and are described in Appendix B. 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, requires 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, 2015, 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, 2015. 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.

*McDiarmid Davis & Company, LLC*

Orlando, Florida  
May 9, 2016

**APPENDIX A - MATERIAL WEAKNESS**

Year Ended September 30, 2015

**12-01 - Failure to Include Component Unit Financial Statements in the Financial Report**

**Criteria**

Generally accepted accounting principles require that the District include the financial statements of the SPE in their audited financial report as a discretely-presented component unit.

**Condition**

The SPE is not included as a component unit in the District's financial report.

**Cause**

Due to the lack of control by the District and that the SPE's primary beneficiaries are the Bondholders, the District's position is that the SPE is not a component unit of the District.

**Effect**

McDermitt Davis could not audit these records nor include them as a discretely-presented component unit in the District government-wide financial statements.

**Recommendation**

We recommend the District include the SPE as a discretely-presented component unit of the District's government-wide financial statements.

CONCORDE ESTATES COMMUNITY DEVELOPMENT DISTRICT

**APPENDIX B - FINANCIAL CONDITION ASSESSMENT**

Year Ended September 30, 2015

**13-01 - Financial Condition Assessment**

The District's financial condition has deteriorated. In prior years, the Developer failed to pay debt service assessments, causing the District to be unable to pay certain debt service payments when due. An event of default was declared and the debt was subsequently restructured with the agreement of the bondholders. The restructured agreement requires no current payments and the District is now funded, however, the overall effect of these actions on the District's financial condition cannot be determined at this time.

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

Board of Supervisors  
*Concorde Estates Community Development District*

We have examined *Concorde Estates Community Development District's* (the "District") compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2015. 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 year ended September 30, 2015.

*MCDIRMIT DAVIS & COMPANY, LLC*

Orlando, Florida  
May 9, 2016

# CONCORDE ESTATES COMMUNITY DEVELOPMENT DISTRICT

DISTRICT OFFICE · 8529 SOUTH PARK CIRCLE · SUITE 330 · ORLANDO, FLORIDA 32819

May 9, 2016

## **Response to the Management Letter for the fiscal year ended September 30, 2015**

### **Management Letter finding 12-01:**

*The auditor noted that the SPE was not included as a component unit of the District.*

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

*Management does not agree that the Special Purpose Entity should be included as a discretely-presented component unit on the government-wide financial statements. In summary, management feels that it would be misleading to the users of the financial statements to include the SPE as a component unit for the following reasons. The District has no ownership and/or control over the SPE and in no way can it impose its will on the SPE. In addition, the District will not benefit from the activities of the SPE. When the land held by the SPE is sold, the proceeds will be paid to the Bondholders to satisfy the Bond debt. The District will not be responsible for any deficiency between the net proceeds of the sale and the associated Bond debt.*

### **Management Letter finding 13-01:**

*The auditor noted a deteriorating financial condition.*

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

*A portion of the Series 2004 Bonds were exchanged for Series 2011 Bonds. The remaining unexchanged portion of the 2004 Bonds is subordinate to the Series 2011 Bonds. As a result of the restructuring, the Series 2004 Bonds are no longer secured by a lien on special assessment revenue because the assessment lien was transferred to secure the Series 2011 Bonds. The Series 2004 Bonds are payable solely from any remaining lot sale proceeds after payment of Series 2011B assessments, prepayments and SPE operating costs. After all lots have been sold and all proceeds applied, any remaining 2004 Bonds that are outstanding will be forgiven. In the current and prior years, the District continues to accrue interest expense on the 2004 Bonds to matured interest payable. The District does not accrue principal expense on the 2004A Bonds because they are no longer secured by assessments so the principal of \$3,305,000 is considered due at maturity in 2035. The 2004B principal of \$3,980,000 is reported as matured bonds payable. This condition will continue until the remaining Series 2004 Bonds are either paid or forgiven. The District is current on its payments with regard to the General Fund operations and Series 2011 bond payments.*



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William J. Rizzetta

Treasurer

Concorde Estates Community Development District