

**PASEO
COMMUNITY DEVELOPMENT DISTRICT
FORT MYERS, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2015**

**PASEO COMMUNITY DEVELOPMENT DISTRICT
FORT MYERS, FLORIDA**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Paseo Community Development District
Fort Myers, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Paseo Community Development District, Fort Myers, Florida ("District") as of and for the fiscal year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2015, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

We have also issued our report dated June 29, 2016, on our consideration of the District's compliance with the requirements of Section 218.415, Florida Statutes, as required by Rule 10.556(10) of the Auditor General of the State of Florida. The purpose of that report is to provide an opinion based on our examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

June 29, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Paseo Community Development District, Fort Myers, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2015. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets plus deferred outflows of resources of the District exceeded its liabilities plus deferred inflows of resources at the close of the most recent fiscal year resulting in a net position balance of \$3,209,643.
- The change in the District's total net position in comparison with the prior fiscal year was \$43,477, an increase. The key components of the District's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- At September 30, 2015, the District's governmental funds reported combined ending fund balances of \$4,104,022, an increase of \$883,364 in comparison with the prior fiscal year. A portion of fund balance is restricted for debt service, non-spendable for prepaid items, assigned to capital reserves, and the remainder is unassigned fund balance which is available for spending at the District's discretion.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as the introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Governmental Funds

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

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

The District maintains four governmental funds for external reporting. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund Series 2005, debt service fund Series 2006 and debt service fund Series 2011, all of which are considered major funds.

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

Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources at the close of the most recent fiscal year.

The District's net position reflects its investment in capital assets (e.g. land, land improvements, and infrastructure) less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to residents; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net position may be used to meet the District's other obligations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

| NET POSITION | | |
|-------------------------------------|--------------|--------------|
| SEPTEMBER 30, | | |
| | 2015 | 2014 |
| Current and other assets | \$ 4,161,486 | \$ 3,273,136 |
| Capital assets, net of depreciation | 41,603,828 | 42,417,152 |
| Total assets | 45,765,314 | 45,690,288 |
| Deferred outflows of resources | 71,843 | 75,251 |
| Current liabilities | 4,058,843 | 2,908,981 |
| Long-term liabilities | 38,568,671 | 39,690,392 |
| Total liabilities | 42,627,514 | 42,599,373 |
| Net position | | |
| Net investment in capital assets | 3,137,000 | 2,832,011 |
| Unrestricted | 72,643 | 334,155 |
| Total net position | \$ 3,209,643 | \$ 3,166,166 |

The District's net position increased during the most recent fiscal year. The majority of the increase represents the extent to which ongoing program revenues exceeded the cost of operations and depreciation expense.

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

| CHANGES IN NET POSITION | | |
|---|--------------|--------------|
| FOR THE FISCAL YEAR ENDED SEPTEMBER 30, | | |
| | 2015 | 2014 |
| Revenues: | | |
| Program revenues | | |
| Charges for services | \$ 3,793,007 | \$ 3,296,867 |
| Capital grants and contributions | - | 15,000 |
| General revenues | | |
| Unrestricted investment earnings | 1,395 | 1,639 |
| Miscellaneous | 7,846 | 5,810 |
| Total revenues | 3,802,248 | 3,319,316 |
| Expenses: | | |
| General government | 196,714 | 215,055 |
| Maintenance and operations | 1,793,149 | 1,846,060 |
| Culture and recreation | 12,774 | 9,763 |
| Interest on long-term debt | 1,756,134 | 2,079,986 |
| Total expenses | 3,758,771 | 4,150,864 |
| Change in net position | 43,477 | (831,548) |
| Net position - beginning | 3,166,166 | 3,997,714 |
| Net position - ending | \$ 3,209,643 | \$ 3,166,166 |

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2015 was \$3,758,771. The costs of the District's activities were primarily funded by program revenues. Program revenues of the District are comprised primarily of assessments for both the current and prior fiscal years. Expenses decreased in the current fiscal year, mainly as a result of a decrease in maintenance costs and interest expense in the current fiscal year.

GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors.

Actual general fund expenditures for the fiscal year ended September 30, 2015 were less than appropriations due primarily to anticipated costs which were not incurred in the current fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2015, the District had \$47,939,009 invested in land, infrastructure and improvements, for its governmental activities. In the government-wide financial statements depreciation of \$6,335,181 has been taken, which resulted in a net book value of \$41,603,828. 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 \$38,568,671 in Bonds outstanding for its governmental activities. More detailed information about the District's capital debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND OTHER EVENTS

The District does not anticipate any major projects or significant changes to its infrastructure maintenance program for the subsequent fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, land owners, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the District's Finance Department at 3434 Colwell Avenue, Suite 200, Tampa, Florida 33614.

FINANCIAL STATEMENTS

**PASEO COMMUNITY DEVELOPMENT DISTRICT
FORT MYERS, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

| | Governmental Activities |
|---|----------------------------|
| ASSETS | |
| Cash | \$ 510,431 |
| Prepays and deposits | 37,120 |
| Restricted assets: | |
| Investments | 3,613,935 |
| Capital assets | |
| Non-depreciable assets | 18,002,328 |
| Depreciable assets, net | 23,601,500 |
| Total assets | 45,765,314 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred charge on refunding (debit) | 71,843 |
| Total deferred outflows of resources | 71,843 |
| LIABILITIES | |
| Accounts payable | 51,326 |
| Unearned revenue | 6,138 |
| Accrued interest payable | 4,001,379 |
| Non-current liabilities: | |
| Due within one year | 95,000 |
| Due in more than one year | 38,473,671 |
| Total liabilities | 42,627,514 |
| NET POSITION | |
| Net investment in capital assets | 3,137,000 |
| Unrestricted | 72,643 |
| Total net position | \$ 3,209,643 |

See notes to the financial statements

**PASEO COMMUNITY DEVELOPMENT DISTRICT
FORT MYERS, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues Charges for Services</u> | <u>Net (Expense) Revenue and Changes in Net Position</u> Governmental Activities |
|-------------------------------|-----------------|--|--|
| Primary government: | | | |
| Governmental activities: | | | |
| General government | \$ 196,714 | \$ 196,714 | \$ - |
| Maintenance and operations | 1,793,149 | 1,040,804 | (752,345) |
| Culture and recreation | 12,774 | 12,774 | - |
| Interest on long-term debt | 1,756,134 | 2,542,715 | 786,581 |
| Total governmental activities | 3,758,771 | 3,793,007 | 34,236 |
| General revenues: | | | |
| | | | 1,395 |
| | | | 7,846 |
| | | | 9,241 |
| | | | 43,477 |
| | | | 3,166,166 |
| | | | \$ 3,209,643 |

See notes to the financial statements

**PASEO COMMUNITY DEVELOPMENT DISTRICT
FORT MYERS, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015**

| | Major Funds | | | | Total Governmental Funds |
|--------------------------------------|-------------------|--------------|--------------|---------------------|--------------------------------|
| | General | Debt Service | | | |
| | | Series 2005 | Series 2006 | Series 2011 | |
| ASSETS | | | | | |
| Cash | \$ 510,431 | \$ - | \$ - | \$ - | \$ 510,431 |
| Investments | - | 56 | 25 | 3,613,854 | 3,613,935 |
| Prepays and deposits | 37,120 | - | - | - | 37,120 |
| Total assets | <u>\$ 547,551</u> | <u>\$ 56</u> | <u>\$ 25</u> | <u>\$ 3,613,854</u> | <u>\$ 4,161,486</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 51,326 | \$ - | \$ - | \$ - | \$ 51,326 |
| Unearned revenue | - | - | - | 6,138 | 6,138 |
| Total liabilities | <u>51,326</u> | <u>-</u> | <u>-</u> | <u>6,138</u> | <u>57,464</u> |
| Fund balances: | | | | | |
| Nonspendable: | | | | | |
| Prepaid items | 37,120 | - | - | - | 37,120 |
| Restricted for: | | | | | |
| Debt service | - | 56 | 25 | 3,607,716 | 3,607,797 |
| Assigned to: | | | | | |
| Capital reserve | 50,412 | - | - | - | 50,412 |
| Unassigned | 408,693 | - | - | - | 408,693 |
| Total fund balances | <u>496,225</u> | <u>56</u> | <u>25</u> | <u>3,607,716</u> | <u>4,104,022</u> |
| Total liabilities and fund balances | <u>\$ 547,551</u> | <u>\$ 56</u> | <u>\$ 25</u> | <u>\$ 3,613,854</u> | <u>\$ 4,161,486</u> |

See notes to the financial statements

**PASEO COMMUNITY DEVELOPMENT DISTRICT
FORT MYERS, FLORIDA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

Fund balance - governmental funds \$ 4,104,022

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The statement of net position includes those capital assets in the net position of the government as a whole.

| | | |
|--------------------------|--------------------|------------|
| Cost of capital assets | 47,939,009 | |
| Accumulated depreciation | <u>(6,335,181)</u> | 41,603,828 |

Deferred charges on refunding of long-term debt are shown as deferred outflows/inflows of resources in the government-wide financial statements; however, this amount is expensed in the governmental fund financial statements.

71,843

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

| | | |
|--------------------------|---------------------|---------------------|
| Accrued interest payable | (4,001,379) | |
| Bonds payable | <u>(38,568,671)</u> | <u>(42,570,050)</u> |

| | |
|---|---------------------|
| Net position of governmental activities | <u>\$ 3,209,643</u> |
|---|---------------------|

See notes to the financial statements

**PASEO COMMUNITY DEVELOPMENT DISTRICT
FORT MYERS, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

| | Major Funds | | | Total Governmental Funds | |
|--|-------------------|--------------|--------------|--------------------------------|---------------------|
| | General | Debt Service | | | |
| | | Series 2005 | Series 2006 | Series 2011 | |
| REVENUES | | | | | |
| Assessments | \$ 1,250,292 | \$ - | \$ - | \$ 2,542,715 | \$ 3,793,007 |
| Interest and other revenues | 9,241 | - | - | - | 9,241 |
| Total revenues | <u>1,259,533</u> | <u>-</u> | <u>-</u> | <u>2,542,715</u> | <u>3,802,248</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 169,976 | - | - | 26,738 | 196,714 |
| Maintenance and operations | 975,031 | - | - | - | 975,031 |
| Culture and recreation | 12,774 | - | - | - | 12,774 |
| Debt service: | | | | | |
| Principal | - | - | - | 1,525,991 | 1,525,991 |
| Interest | - | - | - | 203,580 | 203,580 |
| Capital outlay | 4,794 | - | - | - | 4,794 |
| Total expenditures | <u>1,162,575</u> | <u>-</u> | <u>-</u> | <u>1,756,309</u> | <u>2,918,884</u> |
| Excess (deficiency) of revenues over (under) expenditures | 96,958 | - | - | 786,406 | 883,364 |
| Fund balances - beginning | <u>399,267</u> | <u>56</u> | <u>25</u> | <u>2,821,310</u> | <u>3,220,658</u> |
| Fund balances - ending | <u>\$ 496,225</u> | <u>\$ 56</u> | <u>\$ 25</u> | <u>\$ 3,607,716</u> | <u>\$ 4,104,022</u> |

See notes to the financial statements

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

| | | |
|---|--|-------------|
| Net change in fund balances - total governmental funds | | \$ 883,364 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital outlays as expenditures; however, the cost of capital assets is eliminated in the statement of activities and capitalized in the statement of net position. | | 4,794 |
| Depreciation of capital assets is not recognized in the governmental fund statements but is reported as an expense in the statement of activities. | | (818,118) |
| Repayment of long-term liabilities are reported as expenditures in the governmental fund statement but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities. | | 1,525,991 |
| Amortization of the deferred charge on refunding is not recognized in the governmental fund financial statements, but is reported as an expense in the statement of activities. | | (3,408) |
| The accretion of interest is not recognized in the governmental fund financial statements, but is reported as an expense in the statement of activities. | | (404,270) |
| The change in accrued interest on long-term liabilities between the current and prior fiscal year is recorded in the statement of activities but not in the fund financial statements. | | (1,144,876) |
| Change in net position of governmental activities | | \$ 43,477 |

See notes to the financial statements

**PASEO COMMUNITY DEVELOPMENT DISTRICT
FORT MYERS, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

Paseo Community Development District ("District") was created on November 15, 2004 by City of Fort Myers Ordinance No. 3243, pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes. The Act provides among other things, the power to manage basic services for community development, power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of a portion of the infrastructure necessary for community development within the District.

The District is governed by the Board of Supervisors ("Board"), which is composed of five members. The Supervisors are elected on an at large basis by the owners of the property within the District. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes. At September 30, 2015, one of the Board members is affiliated with Stock Development, LLC ("Developer").

The Board has the 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. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District is considered to be financially accountable and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

Assessments and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The portion of assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

The District reports the following major governmental funds:

General Fund

The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund Series 2005

The debt service fund is used to account for the accumulation of resources for the annual payment of principal and interest on the Series 2005 Bonds.

Debt Service Fund Series 2006

The debt service fund is used to account for the accumulation of resources for the annual payment of principal and interest on the Series 2006 Bonds.

Debt Service Fund Series 2011

The debt service fund is used to account for the accumulation of resources for the annual payment of principal and interest on the Series 2011 Bonds.

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity

Restricted Assets

These assets represent cash and investments set aside pursuant to Bond covenants or other contractual restrictions.

Deposits and Investments

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

The District has adopted a written investment policy, which complies with the requirements of Section 218.415 Florida Statutes. All investments comply with the requirements of the written investment policy. The District may invest any surplus public funds in the following:

- a) The Local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act;
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- c) Interest bearing time deposits or savings accounts in qualified public depositories;
- d) Direct obligations of the U.S. Treasury;
- e) Short-term Bond Funds.

In addition, surplus funds may be deposited into certificates of deposit which are insured. Any unspent proceeds are required to be held in investments allowed in as specified in the Bond Indenture.

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

Inventories and Prepaid Items

Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

Capital Assets

Capital assets which include property, plant and equipment, and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|---------------------------------|--------------|
| Infrastructure and improvements | 37 |
| Equipment | 5 |

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Refunding's of Debt

For current refunding's and advance refunding's resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources/deferred inflow of resources and recognized ratably as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. In connection with the refunding, \$3,408 was recognized as a component of interest expense in the current fiscal year.

Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned.

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the Bonds. Bonds payable are reported net of applicable premiums or discounts. Bond issuance costs are expensed when incurred.

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

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future reporting period(s). For example, the District would record deferred outflows of resources on the statement of net position related to debit amounts resulting from current and advance refunding's resulting in the defeasance of debt (i.e. when there are differences between the reacquisition price and the net carrying amount of the old debt).

Deferred inflows of resources represent an acquisition of net position that applies to future reporting period(s). For example, when an asset is recorded in the governmental fund financial statements, but the revenue is unavailable, the District reports a deferred inflow of resources on the balance sheet until such time as the revenue becomes available.

Fund Equity/Net Position

In the fund financial statements, governmental funds report non spendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change.

The District can establish limitations on the use of fund balance as follows:

Committed fund balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Supervisors. Commitments may be changed or lifted only by the Board of Supervisors taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned fund balance – Includes spendable fund balance amounts established by the Board of Supervisors that are intended to be used for specific purposes that are neither considered restricted nor committed. The Board may also assign fund balance as it does when appropriating fund balance to cover differences in estimated revenue and appropriations in the subsequent year's appropriated budget. Assignments are generally temporary and normally the same formal action need not be taken to remove the assignment.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Fund Equity/Net Position (Continued)

The District first uses committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position in the government-wide financial statements are categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net position related to infrastructure and property, plant and equipment. Restricted net position represents the assets restricted by the District's Bond covenants or other contractual restrictions. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

Other Disclosures

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3 – BUDGETARY INFORMATION

The District is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year-end.

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

- a) Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- b) A public hearing is conducted to obtain comments.
- c) Prior to October 1, the budget is legally adopted by the District Board.
- d) All budget changes must be approved by the District Board.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
- f) Unused appropriation for annually budgeted funds lapse at the end of the year.

NOTE 4 – 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.

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Investments

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

| | Fair Value | Credit Risk | Weighted Average Maturities |
|--|---------------------|-------------|-----------------------------|
| First American Treasury Obligations CL Z | \$ 3,613,935 | S&P AAAM | 43 days |
| Total Investments | <u>\$ 3,613,935</u> | | |

Credit risk – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

Concentration risk – The District places no limit on the amount the District may invest in any one issuer.

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

However, the Bond Indenture limits the type of investments held using unspent proceeds.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2015 was as follows:

| | Beginning Balance | Additions | Disposals | Ending Balance |
|--|----------------------|---------------------|-------------------|----------------------|
| <u>Governmental activities</u> | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 18,002,328 | \$ - | \$ - | \$ 18,002,328 |
| Infrastructure under construction | 4,794 | 4,794 | (9,588) | - |
| Total capital assets, not being depreciated | <u>18,007,122</u> | <u>4,794</u> | <u>(9,588)</u> | <u>18,002,328</u> |
| Capital assets, being depreciated | | | | |
| Infrastructure and improvements | 29,912,093 | 9,588 | - | 29,921,681 |
| Equipment | 15,000 | - | - | 15,000 |
| Total capital assets, being depreciated | <u>29,927,093</u> | <u>9,588</u> | <u>-</u> | <u>29,936,681</u> |
| Less accumulated depreciation for: | | | | |
| Infrastructure and improvements | 5,515,813 | 816,868 | - | 6,332,681 |
| Equipment | 1,250 | 1,250 | - | 2,500 |
| Total accumulated depreciation | <u>5,517,063</u> | <u>818,118</u> | <u>-</u> | <u>6,335,181</u> |
| Total capital assets, being depreciated, net | <u>24,410,030</u> | <u>(808,530)</u> | <u>-</u> | <u>23,601,500</u> |
| Governmental activities capital assets, net | <u>\$ 42,417,152</u> | <u>\$ (803,736)</u> | <u>\$ (9,588)</u> | <u>\$ 41,603,828</u> |

The infrastructure intended to serve the District has been estimated at a total cost of approximately \$53,282,100. The infrastructure will include roadways, conservation areas, surface water management, landscaping, and land improvement. A portion of the project costs was financed with the proceeds from the issuance of Bonds. Phase 1 of the project is essentially complete and Phase II will be funded by the Developer and conveyed to the District. During the previous fiscal year, the Developer contributed \$15,000 of equipment to the District. Upon completion, certain additional infrastructure improvements will be owned or maintained by others.

Depreciation expense was charged to maintenance and operations function.

NOTE 6 – LONG-TERM LIABILITIES

Series 2005

On June 16, 2005, the District issued \$33,405,000 of Capital Improvement Revenue Bonds, Series 2005 consisting of \$12,405,000 Series 2005A Bonds due on May 1, 2036 with a fixed interest rate of 5.4% and \$21,000,000 Series 2005B due on May 1, 2010 with a fixed interest rate of 4.875%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1. Principal on the Series 2005A Bonds is to be paid serially commencing May 1, 2006 through May 1, 2036. Principal on the Series 2005B Bonds was due in full on May 1, 2010. As discussed below, the Bonds were restructured in a prior fiscal year, and a portion of the Series 2005 Bonds was exchanged for the Series 2011A-1 and Series 2011A-2 Bonds. The District's payment obligations for the unexchanged Series 2005 Bonds are now subordinate to the District's payment obligations related to the Series 2011 Bonds.

Series 2006

On February 9, 2006, the District issued \$20,260,000 of Capital Improvement Revenue Bonds, Series 2006 with a fixed interest rate of 5.0%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1. Principal on the Series 2006 Bonds was due in full on February 1, 2011. As discussed herein, the Bonds were restructured in a prior fiscal year, and a portion of the Series 2006 Bonds was exchanged for the Series 2011A-1 and Series 2011A-2 Bonds. The District's payment obligations for the unexchanged Series 2006 Bonds are now subordinate to the District's payment obligations related to the Series 2011 Bonds.

Series 2011

Due to market conditions affecting the absorption of the project, the assessments securing the Series 2005 and Series 2006 Bonds were delinquent. As a result, certain scheduled debt service payments due, including matured Series 2005B Bonds and Series 2006 Bonds, were not paid. In October 2011, the District entered into a restructuring agreement with the Developer – see Note 7 and below. In November 2011, pursuant to the restructuring agreement, the District issued \$4,040,000 of Capital Improvement Revenue Bond Series 2011A-1 and \$15,184,032 in initial principal of Series 2011A-2 Capital Improvement Revenue Bond Series 2011A-2. The Series 2011A-1 Bonds are due on May 1, 2036 with a fixed interest rate of 5.4%. Interest is to be paid semiannually on each May 1 and November 1. Principal on the Bonds is to be paid serially commencing May 1, 2012 through May 1, 2036. The Series 2011A-2 Bonds are initially convertible capital appreciation Bonds with a fixed interest rate of 5.4% and an expected maturity date of May 1, 2036. The maximum accreted value of the Series 2011A-2 Bonds at the maturity date is expected to be \$55,945,000.

The Series 2011A-2 Bonds will accrete interest until the conversion date. The Series 2011A-2 Bonds will convert to current interest the first May 1 or November 1 following the mandatory conversion date, when end user assessments plus amounts on deposits in the prepayment account equals the accreted value of the Bonds. The Bonds are also subject to optional conversion at the option of a majority of the Bondholders if certain events occur as outlined in the Bond Indenture.

The Series 2011A-1 Bonds are subject to redemption at the option of the District prior to maturity at any time on or after May 1, 2015. The Series 2011A-2 Bonds are subject to redemption at the option of the District prior to maturity. Both Series 2011 Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture. This occurred during the current fiscal year as the District collected assessments from lot closings and prepaid \$1,435,991 of the Series 2011A-2 Bonds. See Note 12 - Subsequent Events for extraordinary redemption amounts subsequent to fiscal year end.

The Bond Indentures established 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 agrees to 1) levy special assessments in annual amounts adequate to provide payment of debt service, and 2) to meet the reserve requirements. The District was in compliance with the requirements at September 30, 2015.

NOTE 6 – LONG-TERM LIABILITIES (Continued)

Bond Exchange and Restructuring

To cure certain payment defaults under the series 2005 and series 2006 bonds, the Series 2011 Bonds were issued in exchange for \$5,400,000, \$7,310,000, and \$6,515,000 of the Capital Improvements Revenue Bonds, Series 2005A, Series 2005B, and Series 2006, respectively. The unexchanged Bonds totaling \$6,355,000, \$8,615,000, and \$7,675,000 for the Series 2005A, Series 2005B, and Series 2006, respectively, remain outstanding. The District's payment obligations with respect to the unexchanged Bonds will be (1) subordinate to the payment obligations with respect to the Series 2011 Bonds, and (2) the rights and remedies of the holders of the unexchanged Bonds will be modified so that (a) no default under the prior Bond Indentures with respect to the unexchanged Bonds shall constitute a default with respect to the Series 2011 Bonds, and (b) upon the occurrence and continuation of an event of default with respect to the unexchanged Bonds, the trustee or owner of the unexchanged Bonds are only entitled to enforce remedies available under Florida Law and under prior Bond Indentures that do not or will not adversely affect the owners of the Series 2011 Bonds.

In connection with the issuance of the Series 2011 Bonds in exchange for a portion of the Series 2005A, Series 2005B, and Series 2006 Bonds, the obligation to pay certain delinquent accrued interest amounts was released by the Bondholders in a prior fiscal year. In addition, certain matured principal and interest payments were no longer considered due and payable. In addition, the reserve requirement for the Series 2005A, Series 2005B, and Series 2006 Bonds was eliminated. The unexchanged Bonds are to be paid from remaining lot sale proceeds/true up payments received pursuant to the restructuring agreement after payments on the Series 2011 Bonds. As such there are no scheduled payments due on the unexchanged Series 2005 and Series 2006 Bonds. Unpaid interest on the Series 2005 and Series 2006 Bonds of \$3,440,703 is included in interest payable on the government wide financial statement. For purposes of the maturity schedule below, the unexchanged principal balances on the Series 2005A, Series 2005B, and Series 2006 Bonds are shown as due on May 1, 2036, the final due date associated with the Series 2011 Bonds.

In conjunction with the restructuring of the Bonds, a restructuring expense and a remedial expense account were established. Expenditures recorded in the current fiscal year totaled \$26,738.

Long-term Debt Activity

Changes in long-term liability activity for the fiscal year ended September 30, 2015 were as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--------------------------------|----------------------|-------------------|-----------------------|----------------------|------------------------|
| <u>Governmental activities</u> | | | | | |
| Bonds payable: | | | | | |
| Series 2005A | \$ 6,355,000 | \$ - | \$ - | \$ 6,355,000 | \$ - |
| Series 2005B | 8,615,000 | - | - | 8,615,000 | - |
| Series 2006 | 7,675,000 | - | - | 7,675,000 | - |
| Series 2011 A-1 | 3,770,000 | - | (90,000) | 3,680,000 | 95,000 |
| Series 2011 A-2 | 13,275,392 | 404,270 | (1,435,991) | 12,243,671 | - |
| Total | <u>\$ 39,690,392</u> | <u>\$ 404,270</u> | <u>\$ (1,525,991)</u> | <u>\$ 38,568,671</u> | <u>\$ 95,000</u> |

NOTE 6 – LONG-TERM LIABILITIES (Continued)

Long-term Debt Activity (Continued)

At September 30, 2015, the scheduled debt service requirements on the long-term debt were as follows:

| Year ending September 30: | Governmental Activities | | |
|------------------------------|-------------------------|----------------------|----------------------|
| | Principal | Interest | Total |
| 2015 | \$ 95,000 | \$ 198,720 | \$ 293,720 |
| 2016 | 100,000 | 193,590 | 293,590 |
| 2017 | 110,000 | 188,190 | 298,190 |
| 2018 | 115,000 | 182,250 | 297,250 |
| 2019 | 120,000 | 176,040 | 296,040 |
| 2020-2024 | 710,000 | 775,710 | 1,485,710 |
| 2025-2029 | 925,000 | 561,600 | 1,486,600 |
| 2030-2034 | 1,220,000 | 281,340 | 1,501,340 |
| 2035-2036 | 35,173,671 | 25,257,820 | 60,431,491 |
| Total | <u>\$ 38,568,671</u> | <u>\$ 27,815,260</u> | <u>\$ 66,383,931</u> |

NOTE 7 – RESTRUCTURING AGREEMENT

As discussed in Note 6, in October 2011, the District entered into a Restructuring Agreement with the Trustee, the Developer, and Wells Fargo Bank, who holds a mortgage on the property securing the Bonds and is providing financing to the Developer for certain improvements. Under the agreement, which cured the defaults in certain payments on the Series 2005 and Series 2006 Bonds, the original Series 2005 and Series 2006 Bonds and related assessments were restructured in order to allow for continued development of the project. Under the restructuring plan, certain Bondholders agreed to surrender a portion of the Series 2005 and Series 2006 Bonds in exchange for the Series 2011 Bonds – see Note 6. Under the agreement, the assessments securing the Bonds were restructured resulting in the write-off of certain past due amounts. In addition, at each closing of a residential unit between the Developer and an unrelated third party, a flat or adjusted true-up payment is to be remitted to the District. At the end of the annual assessment period, the Developer agreed to pay an annual shortfall amount representing the difference between the aggregate amounts of these payments and \$500,000. The Developer provided a two year development plan to the Bondholders for the project for review and approval, with updates to be provided to the Trustee. In addition, the District entered into an Acquisition and Completion Agreement with the Developer whereby the Developer will fund and/or construct certain improvements within the District and convey them to the District.

NOTE 8 – DEVELOPER TRANSACTIONS

The Developer owns a portion of land within the District; therefore, assessment revenues in the general and debt service funds include the assessments levied on those lots owned by the Developer.

As discussed in Note 7, certain true-up payments are due at closing of lot sales. Pursuant to this agreement \$1,830,039 is recognized in the current fiscal year.

NOTE 9 – CONCENTRATION

The District's activity is dependent upon the continued involvement of the Developer, the loss of which could have a material adverse effect on the District's operations.

NOTE 10 – MANAGEMENT COMPANY

The District has contracted with a management company to perform management advisory services, which include financial and accounting advisory services. Certain employees of the management company also serve as officers (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 11 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. The District has filed one claim of approximately \$9,000, which does not exceed coverage limits under this commercial coverage during the last three years.

NOTE 12 – SUBSEQUENT EVENTS

Bond Payments

Subsequent to fiscal year end, the District prepaid \$1,916,286 of the Series 2011A-2 Bonds. The prepayments were extraordinary mandatory redemptions as outlined in the Bond Indenture.

**PASEO COMMUNITY DEVELOPMENT DISTRICT
FORT MYERS, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

| | Budgeted Amounts <u>Original & Final</u> | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|--|-------------------|--|
| REVENUES | | | |
| Assessments | \$ 1,241,110 | \$ 1,250,292 | \$ 9,182 |
| Interest and other revenues | 5,500 | 9,241 | 3,741 |
| Total revenues | <u>1,246,610</u> | <u>1,259,533</u> | <u>12,923</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 160,445 | 169,976 | (9,531) |
| Maintenance and operations | 1,067,665 | 975,031 | 92,634 |
| Culture and recreation | 13,500 | 12,774 | 726.00 |
| Capital outlay | 5,000 | 4,794 | 206 |
| Total expenditures | <u>1,246,610</u> | <u>1,162,575</u> | <u>84,035</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ -</u> | 96,958 | <u>\$ 96,958</u> |
| Fund balance - beginning | | <u>399,267</u> | |
| Fund balance - ending | | <u>\$ 496,225</u> | |

See notes to required supplementary information

**PASEO COMMUNITY DEVELOPMENT DISTRICT
FORT MYERS, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2015. The actual general fund expenditures for the 2015 fiscal year were lower than budgeted amounts due primarily to anticipated costs which were not incurred in the current fiscal year.



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

To the Board of Supervisors
Paseo Community Development District
Fort Myers, 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 Paseo Community Development District, Fort Myers, Florida ("District") as of and for the fiscal year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated June 29, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

June 29, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE
REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY
RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Board of Supervisors
Paseo Community Development District
Fort Myers, Florida

We have examined Paseo Community Development District, Fort Myers, Florida's ("District") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2015. Management is responsible for District's compliance with those requirements. Our responsibility is to express an opinion on District's compliance based on our examination.

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2015, except that the individual assigned to make investment decisions did not have the required hours of continuing education for the year. The District should adopt the alternative guidelines for investments according to Florida Statute 218.415 or ensure the investment officer obtains the required hours.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, management, and the Board of Supervisors of Paseo Community Development District, Fort Myers, Florida and is not intended to be and should not be used by anyone other than these specified parties.

June 29, 2016



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

To the Board of Supervisors
Paseo Community Development District
Fort Myers, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of Paseo Community Development District, Fort Myers, Florida ("District") as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated June 29, 2016.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 29, 2016, should be considered in conjunction with this management letter.

Purpose of this Letter

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General of the State of Florida. Accordingly, in connection with our audit of the financial statements of the District, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations.**
- II. Status of prior year findings and recommendations.**
- III. Compliance with the Provisions of the Auditor General of the State of Florida.**

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

We wish to thank Paseo Community Development District, Fort Myers, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements, and the courtesies extended to us.

June 29, 2016

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

II. PRIOR YEAR FINDINGS

None

III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2014.

2. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2015.

3. Noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2015.

4. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.
5. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2015 financial audit report.
6. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
7. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2015. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.