

LEGENDS BAY COMMUNITY DEVELOPMENT DISTRICT

FINANCIAL STATEMENTS

September 30, 2014

LEGENDS BAY COMMUNITY DEVELOPMENT DISTRICT
FINANCIAL STATEMENTS
September 30, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
Legends Bay Community Development District
Manatee County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Legends Bay Community Development District, Orange County, Florida ("District") as of and for the year ended September 30, 2014, 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, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note A to the financial statements, in fiscal year 2014, the District adopted new accounting guidance, Governmental Accounting Standards Board (“GASB”) Statement No. 65, *Items previously Reported as Assets and Liabilities*.

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 on pages 3 - 6 and page 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2015, on our consideration of Legends Bay Community Development District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Legends Bay Community Development District’s internal control over financial reporting and compliance.



DiBartolomeo, McBee, Hartley & Barnes, P.A.
Fort Pierce, Florida
March 18, 2015

LEGENDS BAY COMMUNITY DEVELOPMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2014

Our discussion and analysis of Legends Bay Community Development District's (the District) financial performance provides an overview of the District's financial activities. Please read it in conjunction with the District's Independent Auditors' Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

The following are the highlights of financial activity in government-wide financials for the year ended September 30, 2014:

- The District's total assets exceeded its liabilities by \$18,345,922.
- The District's total revenues were \$4,507,170, which includes \$4,511,491 from special assessments, \$3,045 from an insurance reimbursement, \$216 from investment earnings and \$7,582 loss from Net Asset Value adjustment for SBA Fund B. The District's expenses were \$1,306,629.
- The District's total liabilities decreased largely due to the payments and relief of bond debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

The government-wide financial statements, which consist of the following two statements, (statement of net position and statement of activities) 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 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 District's net position changed during the 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 can be found on pages 7 and 8 of this report.

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 has only one fund type: governmental funds.

LEGENDS BAY COMMUNITY DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

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 balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government'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 statement of revenues, expenditures and changes in fund balances provide reconciliations to facilitate this comparison between governmental funds and governmental activities.

The governmental fund financial statements can be found on pages 9 through 13 of this report.

Notes to Basic Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 14 through 25 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The following table reflects the condensed government-wide statement of net position for the year ended September 30, 2014:

Legends Bay Community Development District
Statement of Net Position

	2014	2013
Current assets	\$ 874,939	\$ 1,700,810
Capital assets	24,470,966	25,032,498
Total Assets	25,345,905	26,733,308
Current liabilities	314,983	5,687,927
Long-term liabilities	6,685,000	6,820,000
Total Liabilities	6,999,983	12,507,927
Net position		
Net investment in capital assets	17,650,966	13,036,360
Restricted for debt service	736,743	1,596,003
Unrestricted	(41,787)	(406,982)
Total Net Position	\$ 18,345,922	\$ 14,225,381

LEGENDS BAY COMMUNITY DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

Governmental Activities

Governmental activities for the year ended September 30, 2014 increased the District's net position by \$4,120,541, as reflected in the table below:

	<u>2014</u>	<u>2013</u>
Program Revenues		
Charges for services	\$ 4,511,491	\$ 1,635,797
General Revenues		
Investment earnings	(7,366)	14,104
Other income	3,045	-
Total Revenues	<u>4,507,170</u>	<u>1,649,901</u>
Expenses		
General government	94,800	95,005
Physical environment	661,532	672,288
Interest on long-term debt	550,297	721,529
Total Expenses	<u>1,306,629</u>	<u>1,488,822</u>
Extraordinary item - bond debt relief	<u>920,000</u>	<u>-</u>
Change in Net Position	4,120,541	161,079
Net position - beginning of year	14,225,381	14,268,164
Effect of adoption of GASB No. 65	-	(203,862)
Net position - end of year	<u>\$ 18,345,922</u>	<u>\$ 14,225,381</u>

ANALYSIS OF THE GOVERNMENTAL 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, unreserved fund balance may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year. The General and Debt Service Funds comprise the total governmental funds.

As of the end of the fiscal year, the District's governmental funds reported combined ending fund balance of \$861,904.

LEGENDS BAY COMMUNITY DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

CAPITAL ASSETS AND DEBT ADMINISTRATION

As of September 30, 2014, the District had \$24,470,966 invested in land and infrastructure.

At the end of the year, the District had total bonded debt outstanding of \$6,820,000. The District's debt represents bonds secured by a specified revenue source (i.e., debt service special assessments). Additional information on the District's long-term debt can be found in Note D on pages 24 through 25 of this report.

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 the 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. Budget amendments must be approved by the Board of Supervisors. Actual general fund expenditures did not exceed appropriations for the year ended September 30, 2014.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Legends Bay Community Development District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Legends Bay Community Development District, 1060 Maitland Center Commons Blvd, Suite 340, Maitland, FL, 32751.

LEGENDS BAY COMMUNITY DEVELOPMENT DISTRICT

STATEMENT OF NET POSITION

September 30, 2014

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash and cash equivalents	\$ 137,134
Investments	734,701
Assessments receivable	2,854
Prepaid items	250
Capital assets:	
Non-depreciable	15,925,747
Depreciable	8,545,219
TOTAL ASSETS	<u>\$ 25,345,905</u>
LIABILITIES	
Accounts payable and accrued expenses	\$ 13,035
Accrued interest payable	166,948
Bonds payable, due within one year	135,000
Bonds payable, due in more than one year	6,685,000
TOTAL LIABILITIES	<u>6,999,983</u>
NET POSITION	
Invested in capital assets, net of related debt	17,650,966
Restricted for:	
Debt service	736,743
Unrestricted	(41,787)
TOTAL NET POSITION	<u>\$ 18,345,922</u>

The accompanying notes are an integral part of this financial statement

LEGENDS BAY COMMUNITY DEVELOPMENT DISTRICT

STATEMENT OF ACTIVITIES

Year Ended September 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Contributions	Governmental Activities
Governmental Activities				
General government	\$ 94,800	\$ 94,800	\$ -	\$ -
Physical environment	661,532	124,468	-	(537,064)
Interest on long-term debt	550,297	4,292,223	-	3,741,926
Total Governmental Activities	\$ 1,306,629	\$ 4,511,491	\$ -	3,204,862
General Revenues:				
				(7,366)
				3,045
				920,000
				915,679
				4,120,541
				14,225,381
				\$ 18,345,922
Restatement of Net Position				
Beginning Net Position		\$ 14,429,243		
Effect of adoption of GASB No. 65 (Note A)		(203,862)		
Net Position - beginning (as restated)		<u>\$ 14,225,381</u>		

The accompanying notes are an integral part of this financial statement

LEGENDS BAY COMMUNITY DEVELOPMENT DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

September 30, 2014

	<u>GENERAL</u>	<u>DEBT SERVICE</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 137,134	\$ -	\$ 137,134
Investments	-	734,701	734,701
Assessments receivable	812	2,042	2,854
Prepaid items	250	-	250
TOTAL ASSETS	<u>\$ 138,196</u>	<u>\$ 736,743</u>	<u>\$ 874,939</u>
<u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES			
Accounts payable	<u>\$ 13,035</u>	<u>\$ -</u>	<u>\$ 13,035</u>
TOTAL LIABILITIES	<u>13,035</u>	<u>-</u>	<u>13,035</u>
FUND BALANCES			
Restricted	-	736,743	736,743
Unassigned	125,161	-	125,161
TOTAL FUND BALANCES	<u>125,161</u>	<u>736,743</u>	<u>861,904</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 138,196</u>	<u>\$ 736,743</u>	<u>\$ 874,939</u>

The accompanying notes are an integral part of this financial statement

LEGENDS BAY COMMUNITY DEVELOPMENT DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
September 30, 2014

Total Governmental Fund Balances in the Balance Sheet, Page 9	\$	861,904
Amount reported for governmental activities in the Statement of Net Position are different because:		
Capital asset used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Governmental capital assets		27,278,626
Less accumulated depreciation		(2,807,660)
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Accrued interest payable		(166,948)
Governmental bonds payable		(6,820,000)
Net Position of Governmental Activities, Page 7		\$ 18,345,922

The accompanying notes are an integral part of this financial statement

LEGENDS BAY COMMUNITY DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended September 30, 2014

	GENERAL FUND	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Special assessments	\$ 219,268	\$ 4,292,223	\$ 4,511,491
Other income	3,045	-	3,045
Investment earnings	73	(7,439)	(7,366)
TOTAL REVENUES	<u>222,386</u>	<u>4,284,784</u>	<u>4,507,170</u>
EXPENDITURES			
General government	91,300	3,500	94,800
Physical environment	100,000	-	100,000
Debt			
Principal	-	4,460,000	4,460,000
Interest expense	-	680,544	680,544
TOTAL EXPENDITURES	<u>191,300</u>	<u>5,144,044</u>	<u>5,335,344</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	31,086	(859,260)	(828,174)
FUND BALANCE			
Beginning of year	<u>94,075</u>	<u>1,596,003</u>	<u>1,690,078</u>
End of year	<u>\$ 125,161</u>	<u>\$ 736,743</u>	<u>\$ 861,904</u>

The accompanying notes are an integral part of this financial statement

LEGENDS BAY 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, 2014

Net Change in Fund Balances - Total Governmental Funds, Page 11 \$ (828,174)

Amount reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures. However,
in the Statement of Activities, the costs of those assets are depreciated
over their estimated useful lives:

Current year provision for depreciation (561,532)

Governmental funds report principal payments on bonds when debt
is paid, whereas, payments are eliminated in the Statement of Activities
and recognized as a decrease in bonds payable in the Statement of Net
Assets:

Payments on long-term debt 4,460,000

Change in accrued interest payable 130,247

Bond debt relief provided as part of a deposit/withdrawal at
custodian (DWAC) transaction is not considered a financial
resource and, therefore, is not reported as revenues in
government funds. The Statement of Activities includes these
as an extraordinary item. 920,000

Change in Net Assets of Governmental Activities, Page 8 \$ 4,120,541

The accompanying notes are an integral part of this financial statement

LEGENDS BAY COMMUNITY DEVELOPMENT DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL – GENERAL FUND
Year Ended September 30, 2014

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
REVENUES				
Special assessments	\$ 218,760	\$ 218,760	\$ 219,268	\$ 508
Miscellaneous income	-	-	3,045	3,045
Investment earnings	-	-	73	73
TOTAL REVENUES	<u>218,760</u>	<u>218,760</u>	<u>222,386</u>	<u>3,626</u>
EXPENDITURES				
Current				
General government	104,094	104,094	91,300	12,794
Physical environment	114,666	114,666	100,000	14,666
TOTAL EXPENDITURES	<u>218,760</u>	<u>218,760</u>	<u>191,300</u>	<u>27,460</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>31,086</u>	<u>31,086</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES	-	-	31,086	31,086
FUND BALANCES				
Beginning of year	<u>-</u>	<u>-</u>	<u>94,075</u>	<u>94,075</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,161</u>	<u>\$ 125,161</u>

LEGENDS BAY COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

Reporting Entity

The District was created on March 19, 2007, pursuant to the Uniform Community Development District Act of 1980, Chapter 190, Florida Statutes, as amended (the "Act"), by Ordinance Number 07-43 of the Board of County Commissioners of Manatee County, as a Community Development District. The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of the infrastructure necessary for community development within its jurisdiction. The District is authorized to issue bonds for the purpose, among others, of financing, funding, planning, establishing, acquiring, constructing or re-constructing, enlarging or extending, equipping, operating and maintaining water management, water supply, sewer and waste water management, bridges or culverts, district roads, landscaping, street lights and other basic infrastructure projects within the boundaries of the Legends Bay Community Development District.

The District operates within the criteria established by Chapter 190, Florida Statute. The District is governed by a five-member Board of Supervisors two of whom are elected for four year terms and three who are elected for two year terms. At September 30, 2014, four of the five Board members were affiliated with Ruben-Holland Legends Bay, LLC; the managing general partner of Sarabay Associates L.L.L.P. (the "Developer").

The criteria used for including component units consist of identification of legally separate organizations for which the Board of Supervisors of the District are financially accountable. This criteria also includes identification of organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete. Based upon this review, there were no component units associated with this District.

Government-wide Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

LEGENDS BAY COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide Financial Statements (continued)

In the government-wide statement of net position, the governmental activities column is presented on a consolidated basis, if applicable, and is reported on a full-accrual, economic resource basis, which recognizes all noncurrent assets and receivables as well as all noncurrent debt and obligations, when and if applicable. The effect of interfund activity has been eliminated from the government-wide financial statements.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The net costs, by function, are also supported by general revenues, other revenue, etc. The statement of activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues are directly associated with a function. Other items not included among program revenues are reported instead as general revenues. For the year ended September 30, 2014, the District had program revenues of \$4,511,491.

This government-wide focus is more on the ability to sustain the District as an entity and the change in the District's net position resulting from the current year's activities.

Fund Financial Statements

The accounts of the District are organized on the basis of funds. The operations of the funds are accounted for with separate self-balancing accounts that comprise their current assets, liabilities, fund equity, revenues and expenditures. The District reports the following major governmental funds:

General Fund – This fund is used to account for all operating activities of the District. At this time, revenues are derived principally from assessments.

Debt Service Fund – This fund is used to account for the accumulation of resources for and the payment of debt principal and interest and other financing costs.

Measurement Focus, Basis of Accounting and Presentation

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the basic financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. Governmental funds use the current financial resources measurement focus and the government-wide statements use the economic resources measurement focus.

LEGENDS BAY COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Presentation (continued)

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental fund financial statements are presented on the modified accrual basis of accounting under which revenue is recognized in the accounting period in which it becomes susceptible to accrual (i.e., when it becomes both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current year.

New Accounting Standard Adopted

During the fiscal year 2014, the District adopted the following new accounting standard:

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities

This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

The implementation of GASB 65 resulted in the write off of Bond issuance costs and the effect of adoption of GASB 65 is the reduction of beginning net position by \$203,862 of the governmental activities. The effect on fiscal year 2013 had the implementation of GASB 65 occurred earlier would have resulted in a decrease in expenses of the governmental activities by \$14,736.

Budget

A budget is adopted for the General Fund and Debt Service Fund on an annual basis. Appropriations lapse at fiscal year end. Changes or amendments to the budget of the District must be approved by the District 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. Public hearings are conducted to obtain resident comments.

LEGENDS BAY COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budget (continued)

3. Prior to October 1, the budget is legally adopted by the District Board.
4. The budgets are adopted on a basis consistent with generally accepted accounting principles.

Cash and Cash Equivalents

Cash and cash equivalents are defined as demand deposits, money market accounts, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments are stated at their fair value, which is based on quoted market prices. Unrealized gains and losses in fair value are recognized. Certain money market investments are stated at amortized cost if they have a remaining maturity of one year or less when purchased.

Capital assets

Capital assets, which include land and improvements and infrastructure, are reported in the governmental activities column in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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. Depreciation on all capital assets is charged to operations using the straight-line method over the assets' estimated service lives, ranging from 15-25 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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.

LEGENDS BAY COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Obligations (continued)

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

Deferred Outflows/Inflows of Resources

The statement of net position reports, as applicable, a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future reporting period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. For example, the District would record deferred outflows of resources related to debit amounts resulting from current and advance refundings resulting in the defeasance of debt (i.e. when there are differences between the reacquisition price and the net carrying amount of the old debt).

The statement of net position reports, as applicable, a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For example, when an asset is recorded in the governmental fund financial statements, but the revenue is not available, the District reports a deferred inflow of resources until such times as the revenue becomes available.

Assessments

Assessments are non-ad valorem assessments on all benefited lands within the District. Assessments are levied each November 1 on platted and unplatted property of record as of the previous January 1. Certain assessments are collected upon closing on each lot sold and are used to prepay a portion of the Bonds outstanding. In addition, annual assessments are collected to provide funds for the debt service on the portion of the Bonds which are not paid for from the prepaid assessments and to pay for the operations and maintenance of the District. The fiscal year for which annual assessments are levied begins on October 1 with a maximum discount available for payments through November 30 and a declining discount through the month of February. The balance of uncollected assessments becomes delinquent on April 1.

LEGENDS BAY COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

1. Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position - consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
3. Unrestricted net position - all other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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. Under GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances are required to be reported according to the following classifications:

Non-spendable fund balance – Amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. “Not in spendable form” includes items that are not expected to be converted to cash (such as inventories and prepaid amounts) and items such as long-term amount of loans and notes receivable, as well as property acquired for resale. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.

Restricted fund balance – Amounts that can be spent only for specific purposes stipulated by (a) external resource providers such as creditors (by debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

LEGENDS BAY COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Classifications (continued)

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.

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.

Unassigned fund balance – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

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 fund balance classifications could be used.

Net position in the government-wide financial statements are categorized as invested in capital assets, net of related debt, restricted or unrestricted. Invested in capital assets, net of related debt represents net position related to infrastructure and property, plant and equipment, net of any related debt. Restricted net position represents the assets restricted by the District's Bond covenants or other contractual restrictions.

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/expenses during the reporting period. Actual results could differ from those estimates.

Management Company

The District has contracted with a management company to perform management advisory services, which include financial and accounting. 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.

LEGENDS BAY COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to September 30, 2014, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended September 30, 2014. Management has performed their analysis through March 18, 2015, the audit completion date.

NOTE B – CASH AND INVESTMENTS

All operating deposits are held in qualified public depositories and are included on the accompanying statement of net position and balance sheet as cash and equivalents and investments.

Deposits

The District's deposits must be placed with banks and savings and loans which are qualified as public depositories prior to receipt of public monies under Chapter 280, Florida Statutes. These deposits are insured by the FDIC up to \$250,000, \$100,000 for demand deposits and \$100,000 for savings deposits. Monies deposited in amounts greater than the insurance coverage are secured by the banks pledging securities with the State Treasurer in the collateral pool. At year end, the District's carrying amount was \$137,134 and the bank balance was \$142,648.

Investments

As of September 30, 2014, the District had the following investments and maturities:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Money Market Fund	N/A	\$ 734,701
		<u>\$ 734,701</u>

In accordance with GASB 31 investments are stated at fair value based on per share prices. The Florida PRIME Investment Pool (LGIP) is considered to be a "2a-7 like" investment, and is accounted for at fair value for financial reporting. Florida State Board of Administration Fund B was dissolved on September 5, 2014. The loss recorded on this investment, at September 30, 2014, is \$7,582 which is noted as net to the interest earned on all investments. Florida PRIME has a current rating by Standard and Poor's of AAAM. There is a risk of loss on these investments based upon the fluctuation of interest rates and lengths of maturity.

Credit Risk

Florida Statutes require the money market mutual funds held by the District to have the highest credit quality rating from a nationally recognized rating agency. The money market mutual funds held by the District are rated AAAM by Standard and Poor's and Aaa by Moody's Investors Service.

LEGENDS BAY COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE B – CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk

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

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one issuer. At September 30, 2014, the District's investments are in Wells Fargo Advantage Government Money Market Funds.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District 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, 2014, the District's investments in money market mutual funds are not evidenced by securities that exist in physical or book entry form.

However, the bond indenture limits the type of investment held using unspent proceeds.

NOTE C – CAPITAL ASSETS

The following is a summary of activity in the capital assets of the District for the year ended September 30, 2014:

	Balance 10/01/2013	Increases	Decreases	Balance 09/30/14
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 15,925,747	\$ -	\$ -	\$ 15,925,747
Total capital assets, not being depreciated	15,925,747	-	-	15,925,747
Capital assets, being depreciated				
Infrastructure	11,352,879	-	-	11,352,879
Total capital assets, being depreciated	11,352,879	-	-	11,352,879
Less accumulated depreciation for:				
Infrastructure	2,246,128	561,532	-	2,807,660
Total accumulated depreciation	2,246,128	561,532	-	2,807,660
Total capital assets, being depreciated - net	9,106,751	(561,532)	-	8,545,219
Governmental activities capital assets - net	<u>\$ 25,032,498</u>	<u>\$ (561,532)</u>	<u>\$ -</u>	<u>\$ 24,470,966</u>

Depreciation expense recorded in governmental activities was \$561,532 for 2014.

LEGENDS BAY COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE D – LONG-TERM DEBT

In June 2014, the Developer acting as bondholder relieved the District of the bond amounts totaling \$920,000 through a deposit/withdrawal at custodian (DWAC) transaction. In connection with this transaction, the District also utilized excess construction funds, existing bond reserve funds, and certain prepayment revenues to redeem approximately \$3,720,000 of Series 2007B bonds. The bond debt relief is reflected as an extraordinary item in the accompanying Statement of Activities.

The following is a summary of the long-term debt of the District for the year ended September 30, 2014:

\$7,475,000 Capital Improvement Revenue Bonds Series 2007A - due in annual principal installments plus interest semiannually at a rate of 5.875% through May 2038.	<u>\$ 6,820,000</u>
	<u><u>\$ 6,820,000</u></u>

The following is a summary of activity in the long-term debt of the District for the period year ended September 30, 2014:

	<u>Balance 10/1/2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 9/30/2014</u>	<u>Due Within One Year</u>
Capital Improvement Revenue Bonds, Series 2007A	\$ 6,945,000	\$ -	\$ 125,000	\$ 6,820,000	\$ 135,000
Capital Improvement Revenue Bonds, Series 2007B	<u>5,255,000</u>	<u>-</u>	<u>5,255,000</u> *	<u>-</u>	<u>-</u>
	<u><u>\$ 12,200,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,380,000</u></u>	<u><u>\$ 6,820,000</u></u>	<u><u>\$ 135,000</u></u>

* - including \$920,000 of bond debt relief.

LEGENDS BAY COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE D – LONG-TERM DEBT (CONTINUED)

Summary of Significant Bonds Resolution Terms and Covenants

\$7,475,000 Capital Improvement Revenue Bonds, Series 2007A - The District issued \$7,475,000 in Capital Improvement Revenue Bonds, Series 2007A for the purpose of funding certain capital projects within the boundaries of the District. The Bonds are payable in annual principal installments through May 2038. The Bonds bear interest at 5.875% payable semi-annually on the first day of each May and November. The Bonds are secured by a pledge of revenues derived from the collection of non-ad valorem debt service special assessments. The District is required by the Bond Indenture to levy and collect special assessments pursuant to Florida Statutes, Section 190.022. The collection of these assessments are restricted and applied to the debt service requirements of the Bond issue. Further, the District covenants to collect special assessments in annual amounts adequate to provide for the payment of principal and interest on the Bonds as it becomes due.

The District has the option to redeem the 2007A Bonds prior to maturity date, in whole or in part, at any time on or after May 1, 2017 at the Redemption Price of the principal amount plus accrued interest to the redemption date.

The reserve fund account balance was sufficient to satisfy the Indenture reserve fund requirements.

The annual requirements to amortize the principal and interest of bonded debt outstanding as of September 30, 2014 are as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 135,000	\$ 400,676	\$ 535,676
2016	140,000	392,742	532,742
2017	150,000	384,518	534,518
2018	160,000	375,706	535,706
2019	170,000	366,306	536,306
2020-2025	1,010,000	1,359,476	2,369,476
2026-2030	1,355,000	1,410,002	2,765,002
2031-2035	1,810,000	987,296	2,797,296
2036-2038	1,890,000	420,648	2,310,648
	<u>\$ 6,820,000</u>	<u>\$ 6,097,370</u>	<u>\$ 12,917,370</u>

NOTE E – RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

LEGENDS BAY COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE F – RELATED PARTY TRANSACTIONS

Effective September 1, 2011 the District entered into an agreement with Water Company LLC, a company affiliated with the Developer, to supply water for irrigation purposes to the District's property in accordance with the terms of the Legends Bay Declaration. For the year ended September 30, 2014, these services provided to the District amounted to \$18,798.

NOTE G – CONCENTRATION

During the fiscal year 2014 the District did not make its bond debt principal payment requirement of May 1st, 2014. Thereafter the District paid or was relieved of principal payments due May 1st. A significant portion of the District's activity is dependent upon the continued involvement of the Developer, the loss of which would have a materially adverse effect on the District's operations.

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*

Legends Bay Community Development District
Manatee County, Florida

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Legends Bay Community Development District, as of September 30, 2014 and for the year ended September 30, 2014, which collectively comprise the Legends Bay Community Development District's basic financial statements and have issued our report thereon dated March 18, 2015

Internal Control Over Financial Reporting

In planning and performing our audit, 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 over financial reporting.

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

Purpose of this Report

This report is intended 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 purpose.

DiBartolomeo, McBee, Hartley & Barnes

DiBartolomeo, McBee, Hartley & Barnes, P.A.

Fort Pierce, Florida

March 18, 2015

Management Letter

Legends Bay Community Development District
Manatee County, Florida

We have audited the financial statements of the Legends Bay Community Development District, Florida for the year ended September 30, 2014, and have issued our report thereon dated March 18, 2015.

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. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in those reports and schedule, which are dated March 18, 2015, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit. There were no findings noted in the preceding year audit.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the District complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., 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)4., Rules of the Auditor General, requires that we address violations of 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 more inconsequential. In connection with our audit, we did not have any findings.

- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters have an inconsequential effect on the financial statement amounts, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., 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. Refer to Note A in the notes to the financial statements.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the Legends Bay Community Development District did not meet any of the conditions for a financial emergency described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for Legends Bay Community Development District, 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, 2014. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on the representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

A. Bartolomeo, M. Bee, Hartley & Barnes
Certified Public Accountants