

**WESTRIDGE COMMUNITY  
DEVELOPMENT DISTRICT**

**FINANCIAL STATEMENTS**

**Year Ended September 30, 2013**

**WESTRIDGE COMMUNITY DEVELOPMENT DISTRICT  
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SEPTEMBER 30, 2013**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Westridge Community Development District, Polk County, Florida ("District") as of and for the fiscal year ended September 30, 2013, 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 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessments 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, 2013, 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 Matters**

As discussed in Note 13 to the financial statements the District's financial condition is deteriorating. The Developer declared bankruptcy in 2009 and has not paid their operating or debt service assessments in the current and prior years. As a result, the Trustee, on behalf of the bondholders, is funding District operations' using bond proceeds and the District was unable to pay the current and prior years principal and interest due on the bonds. Furthermore, the District filed foreclosure suits against the Developers in the District as a result of them not paying special assessments when due. During the current fiscal year, the District obtained a final judgment of foreclosure.

## **Other Matters**

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Budget to Actual Comparison Statement on pages 3 through 6 and 26 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 a report dated June 14, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Barzana & Associates PA*

**Barzana & Associates, P.A.**

Tampa, Florida  
June 14, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the *Westridge Community Development District*, Polk County, Florida's (the "District") financial accomplishments provide an overview of the District's financial activities for the year ended September 30, 2013. Please read it in conjunction with the District's Independent Auditor's Report, financial statements and accompanying notes.

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

### Financial Highlights

- The liabilities of the District exceeded its assets at September 30, 2013 by \$10,007,744, an increase in the deficit of \$1,231,170 in comparison with the prior year.
- At September 30, 2013, the District's governmental funds reported a combined deficit fund balance of \$(4,612,630), an increase in the deficit of \$1,707,041 in comparison with the prior year.

### Overview of the Financial Statements

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

### Government-Wide Financial Statements

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

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

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

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

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

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

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

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

## **Notes to Financial Statements**

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

## **Government-Wide Financial Analysis**

Statement of Net Position - The District's net position was \$(10,007,744) at September 30, 2013. The following analysis focuses on the net assets of the District's governmental activities.

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

Westridge Community Development District  
Statement of Net Position

	<u>September 30,</u> <u>2013</u>	<u>September 30,</u> <u>2012</u>
Assets		
Assets, excluding capital assets	\$ 2,939,500	\$ 3,395,079
Capital assets not being depreciated	<u>18,747,678</u>	<u>18,711,807</u>
Total assets	<u>\$ 21,687,178</u>	<u>\$ 22,106,886</u>
Liabilities		
Liabilities, excluding long-term liabilities	8,159,922	6,288,510
Long-term liabilities	<u>23,535,000</u>	<u>23,975,000</u>
Total Liabilities	31,694,922	30,263,510
Net Position		
Net investment in capital assets	(5,036,243)	(3,102,722)
Restricted for capital projects	431,181	439,386
Unrestricted	<u>(5,402,682)</u>	<u>(5,493,288)</u>
Total net position	<u>(10,007,744)</u>	<u>(8,156,624)</u>
Total liabilities and net position	<u>\$ 21,687,178</u>	<u>\$ 22,106,886</u>

The following is a summary of the District's Governmental activities for the fiscal years ended September 30, 2013 and 2012.

Changes in Net Position  
Year Ended September 30,

	<u>2013</u>	<u>2012</u>
Revenues:		
Program revenues	\$ 378,195	\$ 312,443
General revenues	43	94
Special items	<u>7,896</u>	<u>-</u>
Total revenues	386,134	312,537
Expenses:		
General government	117,570	208,416
Physical environment	41,034	40,783
Interest on long-term debt	<u>1,458,700</u>	<u>1,483,498</u>
Total expenses	<u>1,617,304</u>	<u>1,732,697</u>
Change in net position	(1,231,170)	(1,420,160)
Net position, beginning, previously stated	(8,156,624)	(6,736,464)
Effect of adoption of GASB No. 65 (Note 1)	<u>(619,950)</u>	<u>-</u>
Net position, beginning, as restated	<u>(8,776,574)</u>	<u>(6,736,464)</u>
Net position, ending	<u>\$ (10,007,744)</u>	<u>\$ (8,156,624)</u>

As noted above and in the statement of activities, the cost of all governmental activities during the year ended September 30, 2013 was \$1,617,304. The majority of these costs are comprised of interest on long-term debt.

## Financial Analysis of the Government's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At September 30, 2013, the District's governmental funds reported combined ending fund balances of \$(4,612,630). Of this total, \$1,781,047 has been restricted for capital project costs and \$20,078 is nonspendable. The remainder of the fund balance \$(6,413,755) is unassigned.

In the table below we have presented the cost of the functions/programs as a percentage of total governmental funds for the fiscal year ended September 30:

	2013		2012	
General government	\$ 117,570	6%	\$ 208,416	10%
Physical environment	41,034	2%	40,783	2%
Capital outlay	35,871	2%	-	0%
Principal and interest on long-term debt	1,898,700	91%	1,873,700	88%
	<u>\$ 2,093,175</u>	<u>100%</u>	<u>\$ 2,122,899</u>	<u>100%</u>

As noted above, principal and interest on long-term debt comprise the majority of expenditures of total governmental funds.

## General Fund Budgetary Highlights

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. There were no amendments to the September 30, 2013 general fund budget. The legal level of budgetary control is at the fund level.

## Capital Asset and Debt Administration

**Capital Assets** - At September 30, 2013, the District had \$18,747,678 invested in land and infrastructure under construction. More detailed information about the District's capital assets is presented in the notes to financial statements.

**Capital Debt** - At September 30, 2013, the District had \$25,150,000 in bonds outstanding, including \$1,615,000 in matured bonds payable. More detailed information about the District's capital debt is presented in the notes to financial statements.

## Requests for Information

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

## **FINANCIAL STATEMENTS**

**WESTRIDGE COMMUNITY DEVELOPMENT DISTRICT  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2013**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 21,388
Prepaid expenses	13,108
Deposits	6,970
Restricted assets:	
Investments	2,898,034
Capital assets not being depreciated	18,747,678
Total assets	21,687,178
<b>Liabilities</b>	
Accounts payable and accrued expenses	14,161
Accrued interest payable	607,792
Retainage payable	88,169
Matured bonds payable	1,615,000
Matured interest payable	5,834,800
Non-current liabilities:	
Due within one year	465,000
Due in more than one year	23,070,000
Total liabilities	31,694,922
<b>Net position</b>	
Net investment in capital assets	(5,036,243)
Restricted for capital projects	431,181
Unrestricted	(5,402,682)
Total net position	\$ (10,007,744)

See accompanying notes to financial statements.

**WESTRIDGE COMMUNITY DEVELOPMENT DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Functions / Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Primary government:						
Governmental activities:						
General government	\$ (117,570)	\$ 16,305	\$ -	\$ -	\$ (101,265)	
Physical environment	(41,034)	-	-	-	(41,034)	
Interest	(1,458,700)	348,456	12,743	691	(1,096,810)	
Total governmental activities	<u>\$ (1,617,304)</u>	<u>\$ 364,761</u>	<u>\$ 12,743</u>	<u>\$ 691</u>	<u>(1,239,109)</u>	
<b>General revenues</b>						
Investment interest and other revenues					43	
Total general revenues					<u>43</u>	
<b>Special items</b>						
Forgiveness of debt					7,896	
Total special items					<u>7,896</u>	
Change in net position					(1,231,170)	
Net position - beginning, previously stated					(8,156,624)	
Effect of adoption of GASB No. 65 (Note 1)					<u>(619,950)</u>	
Net position - beginning, as restated					<u>(8,776,574)</u>	
Net position - ending					<u>\$ (10,007,744)</u>	

See accompanying notes to financial statements.

**WESTRIDGE COMMUNITY DEVELOPMENT DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2013**

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Projects	
<b>Assets</b>				
Cash and cash equivalents	\$ 21,388	\$ -	\$ -	\$ 21,388
Investments	774	1,030,539	1,866,721	2,898,034
Due from other funds	-	-	11,391	11,391
Prepaid expenditures	8,108	-	5,000	13,108
Deposits	6,970	-	-	6,970
Total assets	<u>\$ 37,240</u>	<u>\$ 1,030,539</u>	<u>\$ 1,883,112</u>	<u>\$ 2,950,891</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 5,265	\$ -	\$ 8,896	\$ 14,161
Retainage payable	-	-	88,169	88,169
Due to other funds	11,391	-	-	11,391
Matured bonds payable	-	1,615,000	-	1,615,000
Matured interest payable	-	5,834,800	-	5,834,800
Total liabilities	<u>16,656</u>	<u>7,449,800</u>	<u>97,065</u>	<u>7,563,521</u>
<b>Fund balances</b>				
<b>Non-Spendable:</b>				
Prepaid items	8,108	-	-	8,108
Deposits	6,970	-	5,000	11,970
<b>Restricted for:</b>				
Capital projects	-	-	1,781,047	1,781,047
Unassigned	5,506	(6,419,261)	-	(6,413,755)
Total fund balances	<u>20,584</u>	<u>(6,419,261)</u>	<u>1,786,047</u>	<u>(4,612,630)</u>
Total liabilities and fund balances	<u>\$ 37,240</u>	<u>\$ 1,030,539</u>	<u>\$ 1,883,112</u>	<u>\$ 2,950,891</u>

See accompanying notes to financial statement.

**WESTRIDGE COMMUNITY DEVELOPMENT DISTRICT  
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2013**

Total fund balances, governmental funds		\$ (4,612,630)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements.		18,747,678
Liabilities not due and payable from current available resources are not reported in governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide statements.		
Accrued interest payable	(607,792)	
Bonds payable	<u>(23,535,000)</u>	<u>(24,142,792)</u>
Total net position - governmental activities		<u>\$ (10,007,744)</u>

See accompanying notes to financial statements.

**WESTRIDGE COMMUNITY DEVELOPMENT DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Projects	
<b>Revenues</b>				
Assessments	\$ 16,305	\$ 348,456	\$ -	\$ 364,761
Investment income	43	12,743	691	13,477
Total revenues	<u>16,348</u>	<u>361,199</u>	<u>691</u>	<u>378,238</u>
<b>Expenditures</b>				
Current:				
General government	52,343	65,227	-	117,570
Physical environment	41,034	-	-	41,034
Debt service:				
Principal	-	440,000	-	440,000
Interest	-	1,458,700	-	1,458,700
Capital outlay	-	-	35,871	35,871
Total expenditures	<u>93,377</u>	<u>1,963,927</u>	<u>35,871</u>	<u>2,093,175</u>
Excess (Deficiency) of revenues over expenditures	<u>(77,029)</u>	<u>(1,602,728)</u>	<u>(35,180)</u>	<u>(1,714,937)</u>
<b>Other Financing Sources (Uses)</b>				
Transfer in	122,214	-	-	122,214
Transfer out	-	(122,214)	-	(122,214)
Total other financing sources and (uses)	<u>122,214</u>	<u>(122,214)</u>	<u>-</u>	<u>-</u>
<b>Special Items</b>				
Forgiveness of Debt	<u>7,896</u>	<u>-</u>	<u>-</u>	<u>7,896</u>
Total special items	<u>7,896</u>	<u>-</u>	<u>-</u>	<u>7,896</u>
Net change in fund balances	53,081	(1,724,942)	(35,180)	(1,707,041)
Fund balances (deficit), beginning of year	<u>(32,497)</u>	<u>(4,694,319)</u>	<u>1,821,227</u>	<u>(2,905,589)</u>
Fund balances (deficit), end of year	<u>\$ 20,584</u>	<u>\$ (6,419,261)</u>	<u>\$ 1,786,047</u>	<u>\$ (4,612,630)</u>

See accompanying notes to financial statements.

**WESTRIDGE COMMUNITY DEVELOPMENT DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Net change in fund balances - governmental funds	\$ (1,707,041)
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.	35,871
Repayments of long-term liabilities are reported as expenditures in governmental funds, while repayments reduce long-term liabilities in the statement of net position.	
Matured bonds recorded as payable	<u>440,000</u>
Change in net position of governmental activities	<u>\$ (1,231,170)</u>

See accompanying notes to financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

**WESTRIDGE COMMUNITY DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

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

**Reporting Entity**

The *Westridge Community Development District*, (the "District") was established on September 3, 2003 by Polk County Ordinance 03-63 pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes. The Act provides, among other things, the power to manage basic services for community development, the power to borrow money and issue bonds, and the power to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure. The District was established for the purpose of financing and managing the acquisition, construction, maintenance and operation of a portion of the infrastructure necessary for community development within the District.

The District is governed by the Board of Supervisors (the "Board"), which is composed of five members. The Supervisors are elected on an at large basis by landowners of the District. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes. None of the Board members are associated with Tierra Del Sol Resort, Inc (the "Developer") at September 30, 2013. The Developer declared bankruptcy in 2009 and in the prior year the District filed an action against the Developer to foreclose on its special assessment lien. The District is economically dependent on the Developer.

The Board has the final responsibility for:

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

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement 14, and Statement 61, an amendment of GASB Statement 14. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District Board of Supervisors is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

**WESTRIDGE COMMUNITY DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

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

**Government-Wide and Fund Financial Statements**

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

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

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

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

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

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

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

**WESTRIDGE COMMUNITY DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

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

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

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

The District reports the following major governmental funds:

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

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

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

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

**New Accounting Standards Implemented**

During fiscal year 2013, the District implemented three new accounting standards as follows:

*GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

This Statement incorporates into the GASB's authoritative literature certain guidance that previously could only be found in certain FASB and AICPA pronouncements issued on or before November 30, 1989 and eliminates the selection to apply post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements.

**WESTRIDGE COMMUNITY DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

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

**New Accounting Standards Adopted (Continued)**

*GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*

This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements by incorporating deferred outflow of resources and deferred inflows of resources (previously reported as assets and liabilities) into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

*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, certain items that were previously reported as assets and liabilities.

The implementation of GASB 65 resulted in the write off of deferred charges and the effect of adoption of GASB 65 is the reduction of beginning net position by \$619,950 of the Governmental activities. The effect on fiscal year 2012 had the implementation of GASB 65 occurred earlier would have resulted in a decrease in expenses of the governmental activities by \$24,798.

**Assets, Liabilities and Net Position or Equity**

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

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

Investments of the District are reported at fair value. The District's investments consist of investments authorized per their investment policy adopted in accordance with Section 218.415, Florida Statutes.

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

**WESTRIDGE COMMUNITY DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

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

**Assets, Liabilities and Net Assets or Equity (Continued):**

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. All capital asset acquisition and construction is considered land and infrastructure under construction at September 30, 2013.

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

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

**Fund Balances and Net Position** - In the fund financial statements, fund balances consist of Nonspendable fund balance which includes amounts that cannot be spent because they are not in spendable form, or they are legally or contractually required to be maintained intact. Restricted fund balance are amounts restricted to specific purposes. Committed fund balance are amounts that can only be used for specific purposes as pursuant to official action by the District Board prior to the end of the reporting period. Assigned fund balance are amounts the District intends to use for a specific purpose that are neither restricted nor committed. The District administration has authority to assign fund balance. Unassigned fund balance represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

When restricted and other fund balances resources are available for use, it is the District's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts respectively.

Net position in the government-wide statements are categorized as net investment in capital assets, restricted or unrestricted. Net investment capital assets 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.

**WESTRIDGE COMMUNITY DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

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

**Other Disclosures**

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

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

**A. Budgetary Information**

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

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

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

**B. Deficit Fund Equity**

The Developer has not paid assessments owed to the District in the current or prior year. As a result, the debt service fund has a deficit fund balance of \$(6,419,261).

**WESTRIDGE COMMUNITY DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**Note 3 - Deposits and Investments:**

**Deposits**

At year-end, the carrying amount of the District's deposits was \$21,388 and the bank balance was \$25,778. The District's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

**Investments**

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

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

1. The Local Government Surplus Funds Trust Fund (SBA);
2. Securities and Exchange Commission Registered Money Market Funds with the highest credit quality rating from a nationally recognized rating agency;
3. Interest-bearing time deposits or savings accounts in qualified public depositories;
4. Direct obligations of the U.S. Treasury;
5. Short-term bond funds investing in U.S. Government securities or U.S. Government Agency Securities;
6. Securities of registered investment companies (mutual funds) that are limited to obligations of the U.S. Government or any agency or instrumentality thereof.

**WESTRIDGE COMMUNITY DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

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

**Investments (Continued):**

The SBA is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operating procedures consistent with the requirements for a 2a-7-like fund for the Florida Prime Fund. Therefore, the pool account balance can be used as fair value for financial reporting. Fund B is accounted for as a fluctuating NAVpool, not a 2a-7- like money market fund.

Investments made by the District at September 30, 2013 are summarized below. In accordance with GASB 31, investments are reported at fair value.

	<b>Fair Value</b>	<b>Credit Rating</b>	<b>Weighted Average Maturity</b>
US Bank Money Market Managed Fund	2,897,260	NA	NA
State Board of Administration Florida PRIME	577	S&P AAAM	40 days
State Board of Administration Investment Pool B	197	Not rated	3.98 years
Total investments	<u>\$ 2,898,034</u>		

**Credit Risk:**

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

**Custodial Credit Risk:**

In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2013, all of the District's bank deposits were in qualified public depositories.

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2013, none of the investments listed are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

**WESTRIDGE COMMUNITY DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

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

**Investments (Continued):**

Concentration of Credit Risk:

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

Interest Rate Risk:

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

**Note 4 - Receivables:**

Receivables as of year end, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Total
Receivables:			
Accounts receivable	\$ 1,125,283	\$ 23,928,884	\$ 25,054,167
Less allowance for uncollectible accounts	(1,125,283)	(23,928,884)	(25,054,167)
	\$ -	\$ -	\$ -

**Note 5 - Interfund Receivables, Payables and Transfers:**

The general fund owes the capital projects fund \$11,391 at September 30, 2013 for road lighting deposits. During the year, \$122,214 was transferred from the debt service fund to the general fund to pay for District operations and maintenance expenses due to the Developer foreclosure.

**WESTRIDGE COMMUNITY DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**Note 6 - Capital Assets:**

Capital asset activity for the year ended September 30, 2013 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
<b>Governmental Activities:</b>				
<b>Capital assets not being depreciated</b>				
Land	\$ 9,069,130	\$ -	\$ -	\$ 9,069,130
Construction in progress	9,642,677	35,871	-	9,678,548
Total capital assets, not being depreciated	<u>18,711,807</u>	<u>35,871</u>	<u>-</u>	<u>18,747,678</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 18,711,807</u>	<u>\$ 35,871</u>	<u>\$ -</u>	<u>\$ 18,747,678</u>

The total projected cost to complete the improvements for the District is estimated at \$50,700,000, however construction has been halted as the Developer has declared bankruptcy. See Note 13.

**Note 7 - Long-Term Liabilities:**

On December 15, 2005, the District issued \$25,825,000 of Capital Improvement Revenue bonds, consisting of \$25,825,000 Series 2005 Term Bonds due on May 1, 2037 with a fixed interest rate of 5.8%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is paid semiannually on each May 1 and November 1. Principal on the Series 2005 Bonds is paid serially commencing May 1, 2008 through May 1, 2037.

The Series 2005 Bonds are subject to redemption at the option of the District, in whole or in part at anytime on or after May 1, 2016 at a redemption price as set forth in the Bond Indenture. The Bonds are also 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.

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirement as defined in the Indenture. This requirement was not met at September 30, 2013.

**WESTRIDGE COMMUNITY DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**Note 7 - Long-Term Liabilities (Continued):**

The Bond Indenture has certain restrictions and requirements relating principally to the use of proceeds to pay for infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agreed to levy special assessments in annual amounts adequate to provide payment of debt service. Payment of the principal and interest on the Series 2005 Bonds is secured by a pledge of and first lien upon the pledged special assessment revenue. The District is not in compliance with certain requirements of the Bond Indenture.

Total principal and interest remaining on the Series 2005 Capital Improvement Revenue Bonds as of September 30, 2013 is \$53,969,620. Of this amount, \$7,449,800 was due in the current and prior years for principal and interest, but was not paid. This amount is recorded as matured bonds and interest payable. Total special assessment revenue pledged for the year was \$348,456.

Long-term debt activity for the year ended September 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Bonds Payable:					
Series 2005	\$ 23,975,000	\$ -	\$ 440,000	\$ 23,535,000	\$ 465,000
Governmental activity long-term liabilities	<u>\$ 23,975,000</u>	<u>\$ -</u>	<u>\$ 440,000</u>	<u>\$ 23,535,000</u>	<u>\$ 465,000</u>

The schedule above includes a decrease of \$440,000 that was due, but was not paid. This was reclassified into matured bonds payable.

At September 30, 2013, the scheduled debt service requirements on the bonds payable were as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2014	\$ 465,000	\$ 1,458,700	\$ 1,923,700
2015	495,000	1,431,730	1,926,730
2016	520,000	1,403,020	1,923,020
2017	555,000	1,372,860	1,927,860
2018	585,000	1,340,670	1,925,670
2019 - 2023	3,505,000	6,150,900	9,655,900
2024 - 2028	4,675,000	5,006,270	9,681,270
2029 - 2033	6,250,000	3,478,550	9,728,550
2034 - 2037	8,100,000	1,342,120	9,442,120
	<u>\$ 25,150,000</u>	<u>\$ 22,984,820</u>	<u>\$ 48,134,820</u>

The schedule above includes \$1,615,000 that was due, but was not paid. This was reclassified into matured bonds payable.

**WESTRIDGE COMMUNITY DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**Note 8 - Related Party Transactions:**

**Developer**

The Developer paid no special assessments in the current year.

**General Contractor**

Resorts Construction LLC, general contractor of the project, is affiliated with the Developers. The District owes Resorts Construction LLC \$88,169 of retainage payable at year end.

**Note 9 - Deficit Net Assets:**

The District has a government-wide net deficit of \$(10,007,744) at September 30, 2013.

**Note 10 - Commitments:**

At September 30, 2013, the District had outstanding construction commitments totaling \$436,986.

**Note 11 - Management Company:**

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

**Note 12 - Risk Management:**

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

**WESTRIDGE COMMUNITY DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**Note 13 – Deteriorating Financial Condition:**

The Developer declared bankruptcy in 2009 and did not pay the prior years or current year operating or debt service special assessments. The District's general operations are being funded by the Trustee, on behalf of the bondholders, using bond proceeds. The District was unable to pay the debt service principal and interest due in the prior and current year. The District continues to pursue legal action to foreclose its special assessment lien against the Developer to collect unpaid special assessments.

Pursuant to Florida Statutes Section 218.503, this is a condition of financial emergency due to the inability to make bond debt service payments when due and a deficit fund balance in the debt service fund.

**Note 14 - Subsequent Events:**

**Failure to Make Debt Service Payments When Due**

The District was unable to make its scheduled debt service payments due on November 2013 and May 2014 on the Series 2005 Bonds.

**Special purpose entity**

Subsequent to year end, the Trustee, on behalf of the bondholders, created a special purpose entity ("SPE") to own, manage, sell and/or dispose of property taken in lieu of foreclosure from landowners of the District. The SPE assumed responsibility for debt service assessments owed to the District. The District has agreed to defer collection of the debt assessments owed. Operating and maintenance assessments will be billed directly to the SPE.

**WESTRIDGE COMMUNITY DEVELOPMENT DISTRICT  
BUDGET TO ACTUAL COMPARISON STATEMENT – GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<b>Original and Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>			
Assessments	\$ 328,375	\$ 16,305	\$ (312,070)
Interest and other revenues	-	43	43
Total revenues	<u>328,375</u>	<u>16,348</u>	<u>(312,027)</u>
<b>Expenditures</b>			
General government	280,875	52,343	228,532
Physical environment	<u>47,500</u>	<u>41,034</u>	<u>6,466</u>
Total expenditures	<u>328,375</u>	<u>93,377</u>	<u>234,998</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(77,029)</u>	<u>(77,029)</u>
<b>Other Financing Sources (Uses):</b>			
Transfer in	-	122,214	122,214
Total other financing sources (uses)	<u>-</u>	<u>122,214</u>	<u>122,214</u>
<b>Special Items</b>			
Forgiveness of Debt	-	7,896	7,896
Total special items	<u>-</u>	<u>7,896</u>	<u>7,896</u>
<b>Net change in fund balance</b>	-	53,081	53,081
<b>Fund balance (deficit), beginning of year</b>	-	<u>(32,497)</u>	<u>(32,497)</u>
<b>Fund balance (deficit), end of year</b>	<u>\$ -</u>	<u>\$ 20,584</u>	<u>\$ 20,584</u>

## **COMPLIANCE SECTION**



**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  
*Westridge Community Development District*  
Polk County, Florida

We have audited the financial statements of the governmental activities and each major fund of the *Westridge Community Development District* (the "District") as of and for the year ended September 30, 2013, which collectively comprise the District's financial statements and have issued our report thereon dated June 14, 2014. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## 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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described below.

### **2013-1 - Reserve Account Requirement**

There is a deficiency in the Series 2005 Reserve Account at September 30, 2013. This deficiency is a result of the Reserve Account being used to pay debt service amounts in 2009 because the developer has not paid debt service assessments due to the District.

### **2013-2 - Failure to Make Debt Service Payments When Due**

The District did not make the November 1, 2009, May 1, 2010, November 1, 2010, May 1, 2011, November 1, 2011, May 1, 2012, November 1, 2012 and May 1, 2013 principal or interest payments due on the Series 2005 Bonds. Additionally, subsequent to year end, the District did not make the November 1, 2013 and May 1, 2014 bond debt service payments due on the Series 2005 Bonds. This has resulted in an Event of Default on the Bonds.

We noted certain other matters that we reported to management of the District in a separate letter dated June 14, 2014. The District's response to our findings identified in our audit is included in this report. We did not audit the District's response, and accordingly, we express no opinion on it.

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

*Barzana & Associates PA*

**Barzana & Associates, P.A.**

Tampa, Florida  
June 14, 2014



## MANAGEMENT LETTER

Board of Supervisors  
*Westridge Community Development District*  
Polk County, Florida

We have audited the financial statements of the *Westridge Community Development District*, as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated June 14, 2014.

We conducted our audit in accordance with United States generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated June 14, 2014 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 govern the conduct of local governmental entity audits performed in the State of Florida, and unless otherwise required to be reported in the report on compliance and internal controls or schedule of findings and questioned costs, this letter is required to include the following information.

- 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 report. Due to the Developer bankruptcy, some of the prior years comments are repeated in the current year.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the *Westridge Community Development 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 findings and recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did not have any comments.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

- Section 10.554(1)(i)5., Rules of the Auditor General, requires based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failure to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such comments.
- 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. This information has been disclosed 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 condition(s) met. In connection with our audit, we determined that the *Westridge Community Development District* did meet one of the conditions described in Section 218.503(1), Florida Statutes as of September 30, 2013.

Failure to Make Bond Debt Service Payments When Due

In the current year the District failed to make the required debt service interest and principal payments on the Series 2005 Bonds. Subsequent to year end the District was unable to make the November 2013 and May 2014 debt service payments as well.

- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the *Westridge Community Development District* for the fiscal year ended September 30, 2013, 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, 2013. We determined that these two reports are in agreement.
- Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, 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 representations made by management and the review of financial information provided by same. Our assessment is that the District is experiencing deteriorating financial conditions for the reasons discussed on this page.

This management letter is intended solely for the information of the *Westridge Community Development District* and management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*Barzana & Associates PA*

**Barzana & Associates, P.A.**

Tampa, Florida  
June 14, 2014

# WESTRIDGE COMMUNITY DEVELOPMENT DISTRICT

DISTRICT OFFICE • 3434 COLWELL AVENUE • SUITE 200 • TAMPA, FLORIDA 33614

June 14, 2014

## **Response to the Management Letter for the fiscal year ended September 30, 2013.**

The District filed action to foreclose its special assessment lien against the Developer in an effort to collect unpaid special assessments. If successful, the collection of the special assessments will allow the District to replenish the debt service fund, and make debt service payments when due.



William J. Rizzetta  
Treasurer  
Westridge *Community Development* District