

**Lake Bernadette Community
Development District**

ANNUAL FINANCIAL REPORT

September 30, 2015

Lake Bernadette Community Development District

ANNUAL FINANCIAL REPORT

September 30, 2015

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REPORT OF INDEPENDENT AUDITORS

To the Board of Supervisors
Lake Bernadette Community Development District
Pasco County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of Lake Bernadette Community Development District as of and for the year ended September 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Accounting 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 opinion.

Fort Pierce / Stuart
- 1 -

To the Board of Supervisors
Lake Bernadette Community Development District

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of Lake Bernadette Community Development District, as of September 30, 2015, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

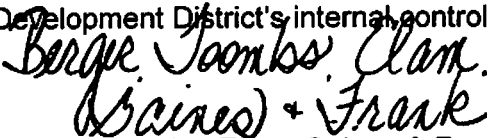
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis 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 March 1, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts. 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 Lake Bernadette Community Development District's internal control over financial reporting and compliance.


Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

March 1, 2016

**Lake Bernadette Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2015**

Management's discussion and analysis of Lake Bernadette Community Development District's (the "District") financial performance provides an objective and easily readable analysis of the District's financial activities. The analysis provides summary financial information for the District and should be read in conjunction with the District's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's basic financial statements comprise three components; 1) *Government-wide financial statements*, 2) *Fund financial statements*, and 3) *Notes to financial statements*. The *Government-wide financial statements* present an overall picture of the District's financial position and results of operations. The *Fund financial statements* present financial information for the District's major funds. The *Notes to financial statements* provide additional information concerning the District's finances.

The *Government-wide financial statements* are the **statement of net position** and the **statement of activities**. These statements use accounting methods similar to those used by private-sector companies. Emphasis is placed on the net position of governmental activities and the change in net position. Governmental activities are primarily supported by special assessments.

The **statement of net position** presents information on all assets and liabilities of the District, with the difference between assets and liabilities reported as net position. Net position are reported in three categories; 1) net investment in capital assets, 2) restricted, and 3) unrestricted. Assets, liabilities, and net position are reported for all Governmental activities.

The statement of activities presents information on all revenues and expenses of the District and the change in net position. Expenses are reported by major function and program revenues relating to those functions are reported, providing the net cost of all functions provided by the District. To assist in understanding the District's operations, expenses have been reported as governmental activities. Governmental activities financed by the District include general government and debt service.

Fund financial statements present financial information for governmental funds. These statements provide financial information for the major funds of the District. Governmental fund financial statements provide information on the current assets and liabilities of the funds, changes in current financial resources (revenues and expenditures), and current available resources.

**Lake Bernadette Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2015**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund financial statements include a **balance sheet** and a **statement of revenues, expenditures and changes in fund balances** for all governmental funds. A **statement of revenues, expenditures, and changes in fund balances – budget and actual** is provided for the District's General Fund. *Fund financial statements* provide more detailed information about the District's activities. Individual funds are established by the District to track revenues that are restricted to certain uses or to comply with legal requirements.

The *government-wide financial statements* and the *fund financial statements* provide different pictures of the District. The *government-wide financial statements* provide an overall picture of the District's financial standing. These statements are comparable to private-sector companies and give a good understanding of the District's overall financial health and how the District paid for the various activities, or functions, provided by the District. All assets of the District, including land, infrastructure and improvements are reported in the **statement of net position**. All liabilities, including principal outstanding on bonds are included. The **statement of activities** includes depreciation on all long lived assets of the District, but transactions between the different functions of the District have been eliminated in order to avoid "doubling up" the revenues and expenses. The *fund financial statements* provide a picture of the major funds of the District. In the case of governmental activities, outlays for long lived assets are reported as expenditures and long-term liabilities, such as general obligation bonds, are not included in the fund financial statements. To provide a link from the *fund financial statements* to the *government-wide financial statements*, a reconciliation is provided from the *fund financial statements* to the *government-wide financial statements*.

Notes to financial statements provide additional detail concerning the financial activities and financial balances of the District. Additional information about the accounting practices of the District, investments of the District, capital assets and long-term debt are some of the items included in the *notes to financial statements*.

Financial Highlights

The following are the highlights of financial activity for the year ended September 30, 2015.

- ◆ The District's total assets exceeded total liabilities by \$2,012,626 (net position). Unrestricted net position for Governmental Activities were \$857,197, net investment in capital assets was \$1,131,176 and restricted net position was \$24,253.
- ◆ Governmental activities revenues totaled \$869,914 while governmental activities expenses totaled \$557,534.

**Lake Bernadette Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2015**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District

The following schedule provides a summary of the assets, liabilities and net position of the District and is presented by category for comparison purposes.

Net Position

	Governmental Activities	
	2015	2014
Current assets	\$ 878,972	\$ 774,737
Restricted assets	56,672	61,156
Capital assets	<u>1,670,456</u>	<u>1,737,187</u>
Total Assets	<u>2,606,100</u>	<u>2,573,080</u>
Deferred Outflow of Resources	<u>10,369</u>	<u>20,138</u>
Total Assets and Deferred Outflow of Resources	<u>2,616,469</u>	<u>2,593,218</u>
Current liabilities	308,843	312,972
Non-current liabilities	<u>295,000</u>	<u>580,000</u>
Total Liabilities	<u>603,843</u>	<u>892,972</u>
Net position - net investment in capital assets	1,131,176	932,860
Net position - restricted	24,253	16,440
Net position - unrestricted	<u>857,197</u>	<u>750,946</u>
Total Net Position	<u>\$ 2,012,626</u>	<u>\$ 1,700,246</u>

The decrease in capital assets was primarily due to current year depreciation.

The decrease in non-current liabilities was related to the principal payments made on bonds in the current year.

The increase in net investment in capital assets was primarily due to bond principal payments in excess of depreciation in the current year.

**Lake Bernadette Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2015**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District (Continued)

The following schedule provides a summary of the changes in net position of the District and is presented by category for comparison purposes.

Change in Net Position

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
<u>Governmental Revenues</u>		
Charges for services	\$ 862,499	\$ 804,514
Investment earnings	3,937	3,560
Other revenues	3,478	4,412
Total Revenues	<u>869,914</u>	<u>812,486</u>
 <u>Expenses</u>		
General government	108,037	132,295
Physical environment	402,510	435,374
Interest on long-term debt	46,987	61,085
Total Expenses	<u>557,534</u>	<u>628,754</u>
 Change in Net Position	312,380	183,732
 Net Position - Beginning of Year	<u>1,700,246</u>	<u>1,516,514</u>
 Net Position - End of Year	<u>\$ 2,012,626</u>	<u>\$ 1,700,246</u>

The increase in charges for services was primarily due to collection of delinquent special assessments.

The decrease in physical environment was related to lower expenses from reserve accounts in the current year.

**Lake Bernadette Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2015**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Capital Assets Activity

The following schedule provides a summary of the District's capital assets as of September 30, 2015 and 2014.

Description	Governmental Activities	
	2015	2014
Land improvements	\$ 1,042,571	\$ 1,042,571
Building and improvements	1,508,918	1,508,918
Infrastructure	500,561	500,561
Machinery and equipment	24,365	24,365
Accumulated depreciation	(1,405,959)	(1,339,228)
Total Capital Assets (Net)	\$ 1,670,456	\$ 1,737,187

During the year depreciation was \$66,731.

General Fund Budgetary Highlights

The budget exceeded governmental expenditures primarily because of less repairs and maintenance, utility, and capital outlay expenditures than were anticipated in the current year.

There were no amendments to the September 30, 2015 budget.

Debt Management

Governmental Activities debt includes the following:

- ◆ In May 2008, the District issued \$2,305,000 Series 2008 Special Assessment Refunding Bonds. These bonds were issued to defease and ultimately retire the outstanding 1996A bonds. The outstanding balance at September 30, 2015 was \$580,000.

**Lake Bernadette Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2015**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Economic Factors and Next Year's Budget

Lake Bernadette Community Development District does not expect any economic factors to have any significant effect on the financial position or results of operations of the District in fiscal year 2016.

Request for Information

The financial report is designed to provide a general overview of Lake Bernadette 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 Lake Bernadette Community Development District, Severn Trent Management Services, 210 N. University Drive, Suite 702, Coral Springs, FL 33071.

Lake Bernadette Community Development District
STATEMENT OF NET POSITION
September 30, 2015

	Governmental Activities
ASSETS	
Current Assets:	
Cash	\$ 508,837
Restricted cash - deposits	2,815
Investments	358,920
Accrued interest receivable	1,292
Due from other governments	1,635
Prepaid expenses	4,638
Deposits	835
Total Current Assets	878,972
Non-current Assets:	
Restricted assets:	
Investments	56,672
Capital assets not being depreciated:	
Land and land improvements	1,042,571
Capital assets being depreciated:	
Building and improvements	1,508,918
Infrastructure	500,561
Machinery and equipment	24,365
Less: accumulated depreciation	(1,405,959)
Total Non-current Assets	1,727,128
Total Assets	2,606,100
 DEFERRED OUTFLOW OF RESOURCES	
Deferred amount on refunding	10,369
Total Assets and Deferred Outflow of Resources	2,616,469
 LIABILITIES	
Current Liabilities:	
Accounts payable and accrued expenses	9,670
Deposits payable from restricted assets	2,185
Accrued compensated absences	1,766
Bonds payable	285,000
Accrued interest	10,222
Total Current Liabilities	308,843
Non-current liabilities:	
Bonds payable	295,000
Total Liabilities	603,843
 NET POSITION	
Net investment in capital assets	1,131,176
Restricted for debt service	24,253
Unrestricted	857,197
Total Net Position	\$ 2,012,626

See accompanying notes to financial statements.

Lake Bernadette Community Development District
STATEMENT OF ACTIVITIES
For The Year Ended September 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expense) Revenues and Changes in Net Position Governmental Activities</u>
Governmental Activities			
General government	\$ (108,037)	\$ 132,114	\$ 24,077
Physical environment	(402,510)	410,612	8,102
Interest on long-term debt	(46,987)	319,773	272,786
Total Governmental Activities	<u>\$ (557,534)</u>	<u>\$ 862,499</u>	<u>304,965</u>
General revenues:			
			3,937
			3,478
			<u>7,415</u>
			312,380
			1,700,246
			<u>\$ 2,012,626</u>

See accompanying notes to financial statements.

Lake Bernadette Community Development District
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2015

	General Fund	Debt Service 2008	Total Governmental Funds
ASSETS			
Cash	\$ 508,837	\$ -	\$ 508,837
Investments	358,920	-	358,920
Accrued interest receivable	1,292	-	1,292
Due from other funds	-	8,154	8,154
Due from other governments	1,635	-	1,635
Prepaid expenses	4,638	-	4,638
Deposits	835	-	835
Restricted assets:			
Cash restricted for deposits	2,815	-	2,815
Investments, at fair value	-	56,672	56,672
Total Assets	\$ 878,972	\$ 64,826	\$ 943,798
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued expenses	\$ 9,670	\$ -	\$ 9,670
Due to other funds	8,154	-	8,154
Deposits payable from restricted cash	2,185	-	2,185
Total Liabilities	20,009	-	20,009
 FUND BALANCES			
Nonspendable:			
Prepaid expenses	4,638	-	4,638
Deposits	835	-	835
Restricted for debt service	-	64,826	64,826
Assigned:			
First quarter operations	134,346	-	134,346
Roadways	57,305	-	57,305
Clubhouse	23,144	-	23,144
Swimming pools	35,698	-	35,698
Court amenities	8,520	-	8,520
Lakes	15,162	-	15,162
Unassigned	579,315	-	579,315
Total Fund Balances	858,963	64,826	923,789
 Total Liabilities and Fund Balances	\$ 878,972	\$ 64,826	\$ 943,798

See accompanying notes to financial statements.

**Lake Bernadette Community Development District
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
September 30, 2015**

Total Governmental Fund Balances	\$	923,789
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets not being depreciated, land and improvements, used in governmental activities are not financial resources and; therefore, are not reported at the funds statement level.		1,042,571
Capital assets being depreciated, Buildings and improvements, \$1,508,918, Infrastructure, \$500,561, equipment \$24,365, net of accumulated depreciation, \$(1,405,959), used in governmental activities are not financial resources and therefore, are not reported at the funds statement level.		627,885
Long-term liabilities, including bonds payable, \$(580,000), and accrued compensated absences, \$(1,766) are not due and payable in the current period and; therefore, are not reported at the funds statement level.		(581,766)
Deferred outflow of resources are not financial resources and therefore, are not reported at the funds statement level.		10,369
Accrued interest expense for long-term debt is not a financial use and; therefore, is not reported at the funds statement level.		<u>(10,222)</u>
Net Position of Governmental Activities	\$	<u><u>2,012,626</u></u>

See accompanying notes to financial statements.

Lake Bernadette Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For The Year Ended September 30, 2015

	General	Debt Service 2008	Total Governmental Funds
Revenues			
Special assessments	\$ 542,726	\$ 319,773	\$ 862,499
Investment earnings	3,863	74	3,937
Miscellaneous revenues	3,478	-	3,478
Total Revenues	<u>550,067</u>	<u>319,847</u>	<u>869,914</u>
Expenditures			
Current			
General government	108,037	-	108,037
Physical environment	335,779	-	335,779
Debt service			
Principal	-	275,000	275,000
Interest	-	36,167	36,167
Other	-	5,898	5,898
Total Expenditures	<u>443,816</u>	<u>317,065</u>	<u>760,881</u>
Net change in fund balances	106,251	2,782	109,033
Fund Balances - October 1, 2014	<u>752,712</u>	<u>62,044</u>	<u>814,756</u>
Fund Balances - September 30, 2015	<u>\$ 858,963</u>	<u>\$ 64,826</u>	<u>\$ 923,789</u>

See accompanying notes to financial statements.

Lake Bernadette 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, 2015

Net Change in Fund Balances - Total Governmental Funds	\$ 109,033
Amounts 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 cost of those assets is allocated over their estimated useful lives as depreciation. This is the amount of depreciation in the current period.	(66,731)
Repayment of long-term liabilities are reported as expenditures in the governmental fund statement but such repayments reduce liabilities in the statement of net position.	275,000
The deferred outflow of resources for refundings of debt is recognized as a component of interest expense in the Statement of Activities, but not in the governmental funds. This is the amount of current year interest.	(9,769)
In the Statement of Activities, interest is accrued on outstanding bonds; whereas in governmental funds, interest expenditures are reported when due. This is the change in accrued interest from the prior year.	<u>4,847</u>
Change in Net Position of Governmental Activities	<u><u>\$ 312,380</u></u>

See accompanying notes to financial statements.

Lake Bernadette Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
GENERAL FUND
For The Year Ended September 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Special assessments	\$ 533,045	\$ 533,045	\$ 542,726	\$ 9,681
Interest earnings	1,700	1,700	3,863	2,163
Miscellaneous revenues	2,640	2,640	3,478	838
Total Revenues	<u>537,385</u>	<u>537,385</u>	<u>550,067</u>	<u>12,682</u>
Expenditures				
Current				
General government	123,235	123,235	108,037	15,198
Physical environment	404,150	404,150	335,779	68,371
Capital outlay	10,000	10,000	-	10,000
Total Expenditures	<u>537,385</u>	<u>537,385</u>	<u>443,816</u>	<u>93,569</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>106,251</u>	<u>106,251</u>
Fund Balances - October 1, 2014	<u>750,486</u>	<u>750,486</u>	<u>752,712</u>	<u>2,226</u>
Fund Balances - September 30, 2015	<u>\$ 750,486</u>	<u>\$ 750,486</u>	<u>\$ 858,963</u>	<u>\$ 108,477</u>

See accompanying notes to financial statements.

Lake Bernadette Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Lake Bernadette Community Development District (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.

1. Reporting Entity

The District was established in 1996, pursuant to the Uniform Community Development District Act of 1980, Chapter 190, Florida Statutes, as amended (the "Act"), by ordinance 96-03 of the Board of County Commissioners of Pasco 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 or outside the boundaries of the District. The District is governed by a five-member Board of Supervisors who are elected for four year terms. The District operates within the criteria established by Chapter 190.

As required by GAAP, these financial statements present the Lake Bernadette Community Development District (the primary government) as a stand-alone government. The reporting entity for the District includes all functions of government in which the District's Board exercises oversight responsibility includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, significant ability to influence operations and accountability for fiscal matters.

Based upon the application of the above-mentioned criteria as set forth in Governmental Accounting Standards Board Statement Number 61, the financial reporting entity, the District has identified no component units.

2. Measurement Focus and Basis of Accounting

The basic financial statements of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

Lake Bernadette Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

a. Government-wide Financial Statements

Government-wide financial statements report all non-fiduciary information about the reporting government as a whole. These statements include separate columns for the governmental activities of the primary government. The effect of interfund activity has been removed from these statements.

Governmental activities which normally are supported by special assessments, rents and interest, are reported separately from business-type activities. Program revenues include charges for services, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financial source.

Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

b. Fund Financial Statements

The underlying accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually.

Lake Bernadette Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds

The District classifies fund balance according to Governmental Accounting Standards Board Statement 54 - Fund Balance Reporting and Governmental Fund Type Definitions. The Statement requires the fund balance for governmental funds to be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The District has various policies governing the fund balance classifications.

Nonspendable Fund Balance – This classification consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted Fund Balance – This classification includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Assigned Fund Balance – This classification consists of the Board of Supervisors' intent to be used for specific purposes, but are neither restricted nor committed. The assigned fund balances can also be assigned by the District's management company.

Unassigned Fund Balance – This classification is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. Unassigned fund balance is considered to be utilized first when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Fund Balance Spending Hierarchy – For all governmental funds except special revenue funds, when restricted, committed, assigned, and unassigned fund balances are combined in a fund, qualified expenditures are paid first from restricted or committed fund balance, as appropriate, then assigned and finally unassigned fund balances.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Interest associated with the current fiscal period is considered to be an accrual item and so has been recognized as revenue of the current fiscal period.

Lake Bernadette Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds (Continued)

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of “available spendable resources”. Governmental fund operating statements present increases (revenues and other financial sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability.

Debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

3. Basis of Presentation

a. Governmental Major Funds

General Fund - The 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.

2008 Debt Service Funds - Accounts for debt service requirements to retire the special assessment bonds which were used to finance the construction of District infrastructure improvements. The bond series is secured by a pledge of all available special assessment revenues in any fiscal year related to the improvements and a first lien on the special assessment revenues from the District lien on all acreage of benefited land.

b. Non-current Governmental Assets/Liabilities

GASB Statement 34 requires that non-current governmental assets, such as land and buildings, and non-current governmental liabilities, such as general obligation bonds, due to developer and accrued compensated absences be reported in the governmental activities column in the government-wide statement of net position.

Lake Bernadette Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Assets, Liabilities, and Net Position or Equity

a. Cash and Investments

Florida Statutes require state and local governmental units to deposit monies with financial institutions classified as "Qualified Public Depositories," a multiple financial institution pool whereby groups of securities pledged by the various financial institutions provide common collateral from their deposits of public funds. This pool is provided as additional insurance to the federal depository insurance and allows for additional assessments against the member institutions, providing full insurance for public deposits.

The District is authorized to invest in those financial instruments as established by Section 218.415, Florida Statutes. The authorized investments consist of:

1. Direct obligations of the United States Treasury;
2. The Local Government Surplus Funds Trust or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperative Act of 1969;
3. Interest-bearing time deposits or savings accounts in authorized qualified public depositories;
4. Securities and Exchange Commission, registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

b. Restricted Net Position

Certain net position of the District is classified as restricted on the statement of net position because their use is limited either by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors.

c. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column.

The District defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. The valuation basis for all assets is historical cost.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Lake Bernadette Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Assets, Liabilities, and Net Position or Equity (Continued)

c. Capital Assets (Continued)

Depreciation of capital assets is computed and recorded by utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Buildings and improvements	20-50 years
Machinery and equipment	7-10 years
Infrastructure	10-30 years

d. Deferred Outflow of Resources

Deferred outflow of resources is the consumption of net position by the government that is applicable to a future reporting period. Deferred amount on refunding is amortized and recognized as a component of interest expense over the life of the bond.

e. Accrued Compensated Absences

The District accrues unused portions of vacation pay in the period the fund liability is incurred.

Even though the District has accumulated and earmarked expendable available fund resources for these amounts, the portion not normally expected to be liquidated with expendable available financial resources is not reported as a fund liability (in accordance with Interpretation No. 6 of the Governmental Accounting Standards Board – Recognition and Measurement of Certain Liabilities and Expenditures) in the governmental fund financial statements.

f. Budgets

Budgets are prepared and adopted after public hearings for the governmental funds, pursuant to Section 200.065 of the Florida Statutes. The District utilizes the same basis of accounting for budgets as it does for revenues and expenditures in its various funds. The legal level of budgetary control is at the fund level. All budgeted appropriations lapse at year end. Formal budgets are adopted for the general and debt service funds. As a result, deficits in the budget columns of the accompanying financial statements may occur.

Lake Bernadette Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

“Total fund balances” of the District’s governmental funds, \$923,789, differs from “net position” of governmental activities, \$2,012,626, reported in the statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet. The effect of the differences is illustrated below.

Capital related items

When capital assets (property, plant and equipment that are to be used in governmental activities) are purchased or constructed, the cost of those assets is reported as expenditures in governmental funds. However, the statement of net position included those capital assets among the assets of the District as a whole.

Land and land improvements		\$ 1,042,571
Building and improvements		1,508,918
Infrastructure		500,561
Machinery and equipment		24,365
Accumulated depreciation		<u>(1,405,959)</u>
Total		<u>\$ 1,670,456</u>

Long-term liabilities

Long-term liabilities applicable to the District’s governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net position. Balances at September 30, 2015 were:

Bonds payable		\$ (580,000)
Accrued compensated absences		<u>(1,766)</u>
Total		<u>\$ (581,766)</u>

Deferred outflow of resources

Deferred outflow of resources applicable to the District’s governmental activities are not financial resources and therefore, are not reported as fund deferred outflow of resources:

Deferred amount on refunding		<u>\$ 10,369</u>
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Lake Bernadette Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

1. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position (Continued)

Accrued interest

Accrued liabilities in the statement of net position differ from the amount reported in governmental funds due to accrued interest on bonds.

Accrued interest payable	\$ <u>(10,222)</u>
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2. Explanation of Differences Between the Governmental Fund Operating Statements and the Statement of Activities

The “net change in fund balances” for government funds, \$109,033, differs from the “change in net position” for governmental activities, \$312,380, reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital related items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balances decrease by the amount of financial resources expended, whereas net position decrease by the amount of depreciation charged for the year.

Depreciation	\$ <u>(66,731)</u>
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Long-term debt transactions

Repayment of long-term liabilities are reported as expenditures in the governmental fund statement but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities.

Bond principal payments	\$ <u>275,000</u>
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Some expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.

Net change in accrued interest	\$ 4,847
Decrease in deferred amount on refunding	<u>(9,769)</u>
	<u>\$ (4,922)</u>

Lake Bernadette Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE C - CASH AND INVESTMENTS

All deposits are held in qualified public depositories and are included on the accompanying balance sheet as cash and investments.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk; however, they follow the provisions of Chapter 280, Florida Statutes regarding deposits and investments. As of September 30, 2015, the District's bank balance was \$524,723 and the carrying value was \$511,652. Exposure to custodial credit risk was as follows. The District maintains all deposits in a qualified public depository in accordance with the provisions of Chapter 280, Florida Statutes, which means that all deposits are fully insured by Federal Depositors Insurance or collateralized under Chapter 280, Florida Statutes.

As of September 30, 2015, the District had the following investments and maturities:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Commercial Paper	N/A	\$ 56,006
First American Government Obligation	N/A	666
Certificates of Deposit	3/2016 - 7/2016	<u>358,920</u>
Total		<u><u>\$415,592</u></u>

Interest Rate Risk

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

Credit Risk

The District's investments in treasury funds, commercial paper, and government loans are limited by state statutory requirements and bond compliance. The District has no investment policy that would further limit its investment choices. As of September 30, 2015, the District's investments in Commercial Paper were rated A-1+ by Standard & Poor's. The District's investments in First American Government Obligation were rated AAAM by Standard & Poor's.

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one fund. The investments in Commercial Paper are 13% of the District's total investments. The investments in First American Government Obligation are approximately 1% of the District's total investments. The investments in Certificates of Deposit are 86% of the District's total investments.

Lake Bernadette Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE C - CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk (Continued)

The types of deposits and investments and their level of risk exposure as of September 30, 2015 were typical of these items during the fiscal year then ended. The District considers any decline in fair value for certain investments to be temporary.

NOTE D – SPECIAL ASSESSMENT REVENUES

Special assessment revenues recognized for the 2014-2015 fiscal year were levied in October 2014. All assessments are due and payable on November 1 or as soon as the assessment roll is certified and delivered to the Tax Collector. Per Florida Statute 197.162, discounts are allowed for early payment at the rate of 4% in November, 3% in December, 2% in January, and 1% in February. Assessments paid in March are without discount.

All unpaid assessments become delinquent as of April 1. Virtually all unpaid assessments are collected via the sale of tax certificates on or prior to, June 1; therefore, there were no material assessments receivable at fiscal year end.

NOTE E - CHANGES IN FIXED ASSETS

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

	Balance October 1, 2014	Additions	Deletions	Balance September 30, 2015
<u>Governmental Activities</u>				
Capital assets, not being depreciated				
Land and improvements	\$ 1,042,571	\$ -	\$ -	\$ 1,042,571
Capital assets, being depreciated				
Buildings and improvements	1,508,918	-	-	1,508,918
Infrastructure	500,561	-	-	500,561
Machinery and equipment	24,365	-	-	24,365
Total Capital Assets, Being Depreciated	<u>2,033,844</u>	<u>-</u>	<u>-</u>	<u>2,033,844</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,011,358)	(45,240)	-	(1,056,598)
Infrastructure	(308,708)	(20,458)	-	(329,166)
Machinery and equipment	(19,162)	(1,033)	-	(20,195)
Total Accumulated Depreciation	<u>(1,339,228)</u>	<u>(66,731)</u>	<u>-</u>	<u>(1,405,959)</u>
Total Capital Assets, Being Depreciated, Net	<u>694,616</u>	<u>(66,731)</u>	<u>-</u>	<u>627,885</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,737,187</u>	<u>\$ (66,731)</u>	<u>\$ -</u>	<u>\$ 1,670,456</u>

Depreciation of \$66,731 was charged to physical environment.

Lake Bernadette Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE F - LONG-TERM DEBT

The following is a summary of activity of the long-term debt of the District for the year ended September 30, 2015:

Long-term debt at October 1, 2014	\$	855,000
Principal payments		<u>(275,000)</u>
Long-term debt at September 30, 2015	\$	<u>580,000</u>

Long-term debt is comprised of the following:

Special Assessment Refunding Bonds

Series 2008 at 4.23%, maturing through May 1, 2017	\$	<u>580,000</u>
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The annual requirements to amortize the principal and interest of bonded debt outstanding as of September 30, 2015 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 285,000	\$ 24,534	\$ 309,534
2017	<u>295,000</u>	<u>12,479</u>	<u>307,479</u>
Totals	<u>\$ 580,000</u>	<u>\$ 37,013</u>	<u>\$ 617,013</u>

Summary of Significant Bond Resolution Terms and Covenants

SPECIAL ASSESSMENT REFUNDING BONDS, SERIES 2008

Depository Funds - The bond resolution establishes certain funds and determines the order in which revenues are to be deposited into these funds as outlined in Article IV of the Master Trust Indenture and a Second Supplemental Trust Indenture.

	<u>Reserve Balance</u>	<u>Reserve Requirement</u>
Special Assessment Refunding Bonds Series 2008	<u>\$ 30,698</u>	<u>\$ 30,351</u>

Lake Bernadette Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE G - 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.



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

To the Board of Supervisors
Lake Bernadette Community Development District
Pasco County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lake Bernadette Community Development District, as of and for the year ended September 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated March 1, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lake Bernadette Community Development District's internal control over financial reporting 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 Lake Bernadette Community Development District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lake Bernadette Community Development 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 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 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 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.

To the Board of Supervisors
Lake Bernadette Community Development District
Pasco County, Florida

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Berger, Toombs, Elam,
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants
Fort Pierce, Florida

March 1, 2016



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MANAGEMENT LETTER

To the Board of Supervisors
Lake Bernadette Community Development District
Pasco County, Florida

Report on the Financial Statements

We have audited the financial statements of the Lake Bernadette Community Development District as of and for the year ended September 30, 2015, and have issued our report thereon dated March 1, 2016.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and our Independent Auditor's Report on an examination conducted in accordance with AICPA Professionals Standards, Section 601 regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in that report, which is dated March 1, 2016, should be considered in conjunction with this Management Letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we address in the Management Letter, if not already addressed in the auditor's report on compliance and internal controls, whether or not recommendations made in the preceding annual financial report have been followed. There were no recommendations made in the preceding audit report.

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether or not Lake Bernadette Community Development District 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 Lake Bernadette Community Development District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Fort Pierce ~~30~~ Stuart

To the Board of Supervisors
Lake Bernadette Community Development District

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial conditions assessment procedures. It is management's responsibility to monitor the Lake Bernadette Community Development District's financial condition; our financial condition assessment was based in part on the representations made by management and the review of the financial information provided by the same.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Lake Bernadette Community Development District for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

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

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

Purpose of this Letter

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

*Berger, Toombs, Elam,
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

March 1, 2016



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**INDEPENDENT ACCOUNTANT'S REPORT/COMPLIANCE
WITH SECTION 218.415, FLORIDA STATUTES**

To the Board of Supervisors
Lake Bernadette Community Development District
Pasco County, Florida

We have examined Lake Bernadette Community Development District's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2015. Management is responsible for Lake Bernadette Community Development District's compliance with those requirements. Our responsibility is to express an opinion on Lake Bernadette Community Development District's compliance based on our examination.

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

In our opinion, Lake Bernadette Community Development District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2015.

*Berger, Toombs, Elam,
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

March 1, 2016

Fort Pierce ^{Stuart}