

**South Village
Community Development District**

ANNUAL FINANCIAL REPORT

September 30, 2014

South Village Community Development District

ANNUAL FINANCIAL REPORT

September 30, 2014

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REPORT OF INDEPENDENT AUDITORS

To the Board of Supervisors
South Village Community Development District
Clay County, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of South Village Community Development District as of and for the year ended September 30, 2014, 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. 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.



To the Board of Supervisors
South Village Community Development District

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, General Fund, Debt Service Fund and the Capital Projects Fund of South Village Community Development District as of September 30, 2014, 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

Management's Discussion and Analysis

Accounting principles generally accepted in the United States of America require that the management's 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, economical 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 principally 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 the 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 25, 2015 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 South Village Community Development District's internal control over financial reporting and compliance

*Berger, Toombs, Elam,
Gaines & Frank*

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

June 25, 2015

**South Village Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2014**

Management's discussion and analysis of South Village Community Development District (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 assets 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 is 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.

**South Village Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2014**

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 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*, 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, 2014:

- ◆ The District's total liabilities exceeded total assets by (\$11,046,311), net position. Unrestricted net position for Governmental Activities is (\$8,069,172) Net investment in capital assets is (\$3,289,164). Restricted net position is \$312,025.
- ◆ Governmental activities revenues totaled \$3,442,091, while governmental activities expenses totaled \$3,038,447.

**South Village Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2014**

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 | |
|----------------------------------|-----------------------------------|-------------------------------------|
| | 2014 | 2013 |
| Current assets | \$ 406,995 | \$ 359,564 |
| Restricted assets | 938,183 | 1,037,785 |
| Capital assets | <u>10,256,142</u> | <u>10,710,205</u> |
| Total Assets | <u>11,601,320</u> | <u>12,107,554</u> |
| Current liabilities | 1,257,631 | 1,247,509 * |
| Non-current liabilities | <u>21,390,000</u> | <u>22,310,000</u> |
| Total Liabilities | <u>22,647,631</u> | <u>23,557,509 *</u> |
| Net Position | | |
| Net investment in capital assets | (3,289,164) | (2,831,297) |
| Restricted for debt service | 312,025 | 387,866 * |
| Unrestricted | <u>(8,069,172)</u> | <u>(9,006,524)</u> |
| Total Net Position | <u><u>\$ (11,046,311)</u></u> | <u><u>\$ (11,449,955) *</u></u> |

*Restated

The decrease in restricted assets is related to the prepayment made on the bonds during the fiscal year.

The decrease in capital assets is the result of current year depreciation.

The decrease in non-current liabilities is primarily due to bond principal payments.

**South Village Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2014**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District (Continued)

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

| | <u>Governmental Activities</u> | |
|------------------------------------|--------------------------------|--------------------------|
| | <u>2014</u> | <u>2013</u> |
| Program Revenues | | |
| Charges for services | \$ 3,341,841 | \$ 3,404,581 |
| Operating grants and contributions | 98,320 | 101,649 |
| General Revenues | | |
| Miscellaneous revenues | 1,752 | - |
| Investment earnings | 178 | 247 |
| Total Revenues | <u>3,442,091</u> | <u>3,506,477</u> |
| Expenses | | |
| General government | 258,159 | 276,969 * |
| Physical environment | 484,180 | 471,095 |
| Recreation | 1,036,931 | 988,063 |
| Interest on long-term debt | 1,259,177 | 1,339,667 |
| Total Expenses | <u>3,038,447</u> | <u>3,075,794 *</u> |
| Change in Net Position | 403,644 | 430,683 |
| Net Position - Beginning of Year | <u>(11,449,955)</u> | <u>(11,880,638) *</u> |
| Net Position - End of Year | <u>\$ (11,046,311)</u> | <u>\$ (11,449,955) *</u> |

*Restated

The decrease in interest expense is related to the prepayments and principal payments made during the year

**South Village Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2014**

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, 2014.

| <u>Description:</u> | Governmental Activities | |
|---------------------------|--------------------------------|----------------------|
| | 2014 | 2013 |
| Infrastructure | \$ 3,255,773 | \$ 3,255,773 |
| Recreation facilities | 10,240,182 | 10,240,182 |
| Equipment | 49,351 | 49,351 |
| Accumulated depreciation | <u>(3,289,164)</u> | <u>(2,835,101)</u> |
| Total Capital Assets, Net | <u>\$ 10,256,142</u> | <u>\$ 10,710,205</u> |

During the year depreciation was \$454,063.

General Fund Budgetary Highlights

During the year, the budgeted expenditures exceeded actual amounts because landscape and water costs were lower than anticipated

There were no budget amendments during the year.

Debt Management

Governmental Activities debt includes the following:

- ◆ In January 2005, the District issued \$26,635,000 Series 2005A Capital Improvement Revenue Bonds, due on May 1, 2035 with a fixed interest rate of 5.7%. The bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1. Principal on the bond is payable annually on each May 1 commencing in 2006. The Bonds are subject to redemption at the option of the district prior to maturity. The Bonds are subject 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 established a debt service reserve requirement as well as other restrictions and requirements relating to the use of proceeds and the procedures to be followed by the district on the assessments to property owners. The balance outstanding at September 30, 2014 was \$21,960,000.

**South Village Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2014**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Economic Factors and Next Year's Budget

South Village Community Development District does not expect any economic factors to have a significant effect on the financial position or results of operations of the District in fiscal year 2015.

Request for Information

The financial report is designed to provide a general overview of South Village 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 South Village Community Development District, GMS-SF, LLC, 5385 N Nob Hill Road, Sunrise, Florida, 33351.

South Village Community Development District
STATEMENT OF NET POSITION
September 30, 2014

| | Governmental Activities |
|---------------------------------------|------------------------------------|
| ASSETS | |
| Current Assets: | |
| Cash and equivalents | \$ 369,138 |
| Accounts receivable, net | 7,391 |
| Inventory | 3,909 |
| Prepaid expenses | 26,557 |
| Total Current Assets | 406,995 |
| Non-Current Assets: | |
| Restricted assets: | |
| Investments - debt service | 938,183 |
| Capital assets being depreciated: | |
| Infrastructure | 3,255,773 |
| Recreation facilities | 10,240,182 |
| Equipment | 49,351 |
| Less: Accumulated depreciation | (3,289,164) |
| Total Non-Current Assets | 11,194,325 |
| Total Assets | 11,601,320 |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts payable and accrued expenses | 43,302 |
| Due to developer | 122,779 |
| Accrued interest | 521,550 |
| Bonds payable | 570,000 |
| Total Current Liabilities | 1,257,631 |
| Non-Current Liabilities: | |
| Bonds payable | 21,390,000 |
| Total Liabilities | 22,647,631 |
| NET POSITION | |
| Net investment in capital assets | (3,289,164) |
| Restricted for: | |
| Debt service | 312,025 |
| Unrestricted | (8,069,172) |
| Total Net Position | \$ (11,046,311) |

See accompanying notes to financial statements.

South Village Community Development District
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2014

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Net (Expense) Revenues and Changes in Net Position</u> |
|-------------------------------|---------------------|---------------------------------|---|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Governmental Activities</u> |
| Governmental Activities | | | | |
| General government | \$ 258,159 | \$ 149,140 | \$ 88,133 | \$ (20,886) |
| Physical environment | 484,180 | 279,714 | - | (204,466) |
| Recreation | 1,036,931 | 793,447 | 10,187 | (233,297) |
| Interest on long-term debt | 1,259,177 | 2,119,540 | - | 860,363 |
| Total Governmental Activities | <u>\$ 3,038,447</u> | <u>\$ 3,341,841</u> | <u>\$ 98,320</u> | <u>401,714</u> |
| General revenues: | | | | |
| | | | | 1,752 |
| | | | | 178 |
| | | | | <u>1,930</u> |
| | | | | 403,644 |
| | | | | (11,449,955) |
| | | | | <u>\$ (11,046,311)</u> |

See accompanying notes to financial statements.

South Village Community Development District
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2014

| ASSETS | General Fund | Recreation Fund | 2005 Debt Service | Capital Projects | Total Governmental Funds |
|---|-----------------------|----------------------|-------------------------|---------------------|--------------------------------|
| Cash | \$ 360,404 | \$ 8,734 | \$ - | \$ - | \$ 369,138 |
| Accounts receivable, net | - | 7,391 | - | - | 7,391 |
| Due from other funds | - | 231 | - | - | 231 |
| Inventory | - | 3,909 | - | - | 3,909 |
| Prepaid expenses | 11,438 | 15,119 | - | - | 26,557 |
| Restricted assets: | | | | | |
| Investments, at fair value | - | - | 936,750 | 1,433 | 938,183 |
| Total Assets | <u>\$ 371,842</u> | <u>\$ 35,384</u> | <u>\$ 936,750</u> | <u>\$ 1,433</u> | <u>\$ 1,345,409</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| LIABILITIES | | | | | |
| Accounts payable and accrued expenses | \$ 27,522 | \$ 15,780 | \$ - | \$ - | \$ 43,302 |
| Due to developer | - | 19,604 | 103,175 | - | 122,779 |
| Due to other funds | 231 | - | - | - | 231 |
| Total Liabilities | <u>27,753</u> | <u>35,384</u> | <u>103,175</u> | <u>-</u> | <u>166,312</u> |
| FUND BALANCES | | | | | |
| Nonspendable - prepaid expenses and inventory | 11,438 | 19,028 | - | - | 30,466 |
| Restricted for: | | | | | |
| Debt service | - | - | 833,575 | - | 833,575 |
| Capital projects | - | - | - | 1,433 | 1,433 |
| Unassigned | 332,651 | (19,028) | - | - | 313,623 |
| Total Fund Balance | <u>344,089</u> | <u>-</u> | <u>833,575</u> | <u>1,433</u> | <u>1,179,097</u> |
| Total Liabilities and Fund Balances | <u>\$ 371,842</u> | <u>\$ 35,384</u> | <u>\$ 936,750</u> | <u>\$ 1,433</u> | <u>\$ 1,345,409</u> |

See accompanying notes to financial statements.

**South Village Community Development District
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
September 30, 2014**

| | |
|--|-------------------------------|
| Total Governmental Fund Balances | \$ 1,179,097 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets being depreciated, infrastructure (\$3,255,773), recreational facilities (\$10,240,182), and equipment (\$49,351), net of accumulated depreciation ((\$3,289,164)) used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 10,256,142 |
| Bonds payable are not due and payable in the current period and therefore, are not reported in the funds. | (21,960,000) |
| Accrued interest expense for long-term debt is not a financial use and; therefore, is not reported in the funds. | <u>(521,550)</u> |
| Net Position of Governmental Activities | <u><u>\$ (11,046,311)</u></u> |

See accompanying notes to financial statements.

South Village Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2014

| | General | Recreation | 2005 Debt Service | Capital Projects | Totals Governmental Funds |
|------------------------------------|-------------------|----------------|-------------------------|---------------------|---------------------------------|
| Revenues: | | | | | |
| Special assessments | \$ 390,169 | \$ 593,537 | \$ 1,564,312 | \$ - | \$ 2,548,018 |
| Direct assessments | 38,685 | - | 555,228 | - | 593,913 |
| Developer contributions | 88,133 | 10,187 | - | - | 98,320 |
| Swim and tennis revenues | - | 199,910 | - | - | 199,910 |
| Miscellaneous revenues | 1,752 | - | - | - | 1,752 |
| Investment earnings | - | - | 177 | 1 | 178 |
| Total Revenues | <u>518,739</u> | <u>803,634</u> | <u>2,119,717</u> | <u>1</u> | <u>3,442,091</u> |
| Expenditures: | | | | | |
| Current | | | | | |
| General government | 102,101 | 107,305 | 46,381 | 2,372 | 258,159 |
| Physical environment | 370,719 | - | - | - | 370,719 |
| Recreation | - | 696,329 | - | - | 696,329 |
| Debt service | | | | | |
| Principal | - | - | 890,000 | - | 890,000 |
| Interest | - | - | 1,295,752 | - | 1,295,752 |
| Total Expenditures | <u>472,820</u> | <u>803,634</u> | <u>2,232,133</u> | <u>2,372</u> | <u>3,510,959</u> |
| Net Change in Fund Balances | 45,919 | - | (112,416) | (2,371) | (68,868) |
| Fund Balances - October 1, 2013 | <u>298,170</u> | <u>-</u> | <u>945,991</u> | <u>3,804</u> | <u>1,247,965</u> |
| Fund Balances - September 30, 2014 | <u>\$ 344,089</u> | <u>\$ -</u> | <u>\$ 833,575</u> | <u>\$ 1,433</u> | <u>\$ 1,179,097</u> |

See accompanying notes to financial statements.

**South Village 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, 2014**

| | |
|--|-------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ (68,868) |
|--|-------------|

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 that depreciation (\$454,063) in the current period. | (454,063) |
|--|-----------|

| | |
|--|---------|
| Principal payments are reported as expenditures in the governmental funds, but are reported as reductions of liabilities in the Statement of Net Position. | 890,000 |
|--|---------|

| | |
|---|---------------|
| 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 during the current period. | <u>36,575</u> |
|---|---------------|

| | |
|---|--------------------------|
| Change in Net Position of Governmental Activities | <u><u>\$ 403,644</u></u> |
|---|--------------------------|

See accompanying notes to financial statements.

**South Village Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
GENERAL FUND
For the Year Ended September 30, 2014**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|------------------------------------|----------------------------|-------------------------|-------------------|---|
| Revenues | | | | |
| Special assessments | \$ 378,733 | \$ 378,733 | \$ 390,169 | \$ 11,436 |
| Direct assessments | 38,685 | 38,685 | 38,685 | - |
| Developer contributions | 88,132 | 88,132 | 88,133 | 1 |
| Miscellaneous revenues | - | - | 1,752 | 1,752 |
| Total Revenues | <u>505,550</u> | <u>505,550</u> | <u>518,739</u> | <u>13,189</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 96,460 | 96,460 | 102,101 | (5,641) |
| Physical environment | 409,090 | 409,090 | 370,719 | 38,371 |
| Total Expenditures | <u>505,550</u> | <u>505,550</u> | <u>472,820</u> | <u>32,730</u> |
| Net Change in Fund Balances | - | - | 45,919 | 45,919 |
| Fund Balances - October 1, 2013 | <u>-</u> | <u>-</u> | <u>298,170</u> | <u>298,170</u> |
| Fund Balances - September 30, 2014 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 344,089</u> | <u>\$ 344,089</u> |

See accompanying notes to financial statements.

**South Village Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
RECREATION FUND
For the Year Ended September 30, 2014**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|------------------------------------|----------------------------|-------------------------|----------------|---|
| Revenues | | | | |
| Special assessments | \$ 576,142 | \$ 576,142 | \$ 593,537 | \$ 17,395 |
| Swim and tennis revenues | 164,050 | 164,050 | 199,910 | 35,860 |
| Developer contributions | 28,869 | 28,869 | 10,187 | (18,682) |
| Total Revenues | <u>769,061</u> | <u>769,061</u> | <u>803,634</u> | <u>34,573</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 94,573 | 94,573 | 107,305 | (12,732) |
| Recreation | 674,488 | 674,488 | 696,329 | (21,841) |
| Total Expenditures | <u>769,061</u> | <u>769,061</u> | <u>803,634</u> | <u>(34,573)</u> |
| Net Change in Fund Balances | - | - | - | - |
| Fund Balances - October 1, 2013 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balances - September 30, 2014 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

See accompanying notes to financial statements.

South Village Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

The District was created on April 28, 2003, pursuant the Uniform Community Development District Act of 1980, Chapter 190, Florida Statutes, as amended (the "Act") by Ordinances Number 2003-36 and 2004-67 of the Clay County Board of County Commissioners, 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, bridges or culverts, district roads, landscaping, street lights and other basic infrastructure projects within or without the boundaries of the South Village Community Development District. The District is governed by a five-member Board of Supervisors who are elected for two and four year terms. The District operates within the criteria established by Chapter 190.

As required by GAAP, these financial statements present the South Village 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 including, but 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 by the Governmental Accounting Standards Board, 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

South Village Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

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 all the governmental activities of the primary government. The effect of interfund activity has been removed from these statements.

Governmental activities are supported by developer contributions and interest. Program revenues include charges for services and grants and contributions 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 another financing 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.

South Village Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collected within the current period or soon 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 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.

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 financing sources) and decreases (expenditures and other financing uses) in net position. 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 are expended, rather than as fund assets. The proceeds of long-term debt are recorded as other financing source rather than as a fund liability.

Debt service expenditures are recorded only when payment is due.

South Village Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds (Continued)

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.

South Village Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Recreation Fund – The Recreation Fund is a special revenue fund established to account for the financial resources of the District's recreation areas.

2005A Debt Service Fund - Accounts for debt service requirements to retire the capital improvement revenue bonds which were used to finance the acquisition and construction of certain improvements for the benefit of the District. 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.

Capital Projects Fund – The Capital Projects Fund accounts for the proceeds from Long-Term debt issued in 2005 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.

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, be reported in the governmental activities column in the government-wide Statement of Net Position.

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.

South Village Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

a. Cash and Investments (Continued)

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.

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less and held in a qualified public depository as defined by Chapter 280.02, Florida Statutes.

b. Restricted Assets

Certain assets of the District and a corresponding liability or portion of net position is classified as restricted assets 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. In a fund with both restricted and unrestricted assets, qualified expenses are considered to be paid first from restricted net position and then from unrestricted net position.

c. Capital Assets

Capital assets, which include infrastructure, recreation facilities, and equipment, are reported in governmental activities.

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 two years. 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.

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:

| | |
|--|----------|
| Infrastructure and recreation facilities | 30 years |
| Equipment | 10 years |

**South Village Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2014**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

d. Budgets

Budgets are prepared and adopted after public hearings for the governmental funds, pursuant to Chapter 190 and Section 200.065, Florida Statutes. The District utilizes the same basis of accounting for budgets as it does for revenues and expenditures in its various funds. Formal budgets are adopted for the general fund. The legal level of budgetary control is at the fund level. As a result, deficits in the budget columns of the accompanying financial statements may occur. All budgeted appropriations lapse at year end.

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 (\$1,179,097) differs from “net position” of governmental activities (\$(11,046,311)) 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 as follows:

Capital related items

When capital assets (improvements and infrastructure 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.

| | |
|--------------------------|----------------------|
| Infrastructure | \$ 3,255,773 |
| Recreation facilities | 10,240,182 |
| Equipment | 49,351 |
| Accumulated depreciation | <u>(3,289,164)</u> |
| Total | <u>\$ 10,256,142</u> |

Long-term debt transactions

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, 2014 were:

| | |
|---------------|------------------------|
| Bonds payable | <u>\$ (21,960,000)</u> |
|---------------|------------------------|

**South Village Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2014**

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 the accrued interest on bonds.

| | |
|------------------|---------------------|
| Accrued interest | \$ <u>(521,550)</u> |
|------------------|---------------------|

2. Explanation of Differences Between the Governmental Fund Operating Statements and the Statement of Activities

The “net change in fund balances” for government funds (\$(68,868)) differs from the “change in net position” for governmental activities (\$403,644) 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 Outlays

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 decreased by the amount of depreciation charged for the period.

| | |
|--------------|---------------------|
| Depreciation | \$ <u>(454,063)</u> |
|--------------|---------------------|

Long-term debt transactions

Repayments of bond principal are reported as an expenditure in the governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used.

| | |
|-------------------------|-------------------|
| Bond principal payments | \$ <u>890,000</u> |
|-------------------------|-------------------|

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.

| | |
|----------------------------|------------------|
| Change in accrued interest | \$ <u>36,575</u> |
|----------------------------|------------------|

**South Village Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2014**

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, 2014, the District's bank balance was \$369,849 carrying value was \$368,516. 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, 2014, the District had the following investments and maturities:

| Investment | Maturities | Fair Value |
|--|-------------------|-------------------|
| First American Government Obligation Fund Z | N/A | <u>\$ 938,193</u> |

Investments

The District's investment policy allows management to invest funds in investments permitted under Section 218.415, Florida Statutes.

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 Government Obligation Mutual Funds 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, 2014, the District's investment in the First American Government Obligation Fund Class Z was rated AAAM by Standard & Poor's.

Concentration of Credit Risk

The types of deposits and investments and their level of risk exposure as of September 30, 2014 were typical of these items during the fiscal year then ended. The District considers any decline in fair value to be temporary.

South Village Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE D – CAPITAL ASSETS

Capital Asset activity for the year ended September 30, 2014 was as follows:

| | October 1, 2013 | Additions | Deletions | September 30, 2014 |
|---|----------------------|---------------------|-------------|-----------------------|
| <u>Governmental Activities:</u> | | | | |
| Capital assets, being depreciated: | | | | |
| Infrastructure | \$ 3,255,773 | \$ - | \$ - | \$ 3,255,773 |
| Recreation facilities | 10,240,182 | - | - | 10,240,182 |
| Equipment | 49,351 | - | - | 49,351 |
| Total Capital Assets, Being Depreciated | <u>13,545,306</u> | <u>-</u> | <u>-</u> | <u>13,545,306</u> |
| Less accumulated depreciation for: | | | | |
| Infrastructure | (671,284) | (108,526) | - | (779,810) |
| Recreation facilities | (2,137,895) | (340,602) | - | (2,478,497) |
| Equipment | <u>(25,922)</u> | <u>(4,935)</u> | <u>-</u> | <u>(30,857)</u> |
| Total Accumulated Depreciation | <u>(2,835,101)</u> | <u>(454,063)</u> | <u>-</u> | <u>(3,289,164)</u> |
| Total Capital Assets Being Depreciated, Net | <u>10,710,205</u> | <u>(454,063)</u> | <u>-</u> | <u>10,256,142</u> |
| Governmental Activities Capital Assets | <u>\$ 10,710,205</u> | <u>\$ (454,063)</u> | <u>\$ -</u> | <u>\$ 10,256,142</u> |

The infrastructure intended to serve the District has been estimated at a total cost of approximately \$49 million. The infrastructure includes roadways, stormwater management system, water and sewer facilities, recreational facilities, and other related infrastructure. A portion of the project costs was financed with the proceeds from the Series 2005A Bonds while the remainder will be funded by additional bonds and the Developer. In a prior fiscal year, certain improvements were conveyed to other entities for ownership and maintenance responsibilities.

Depreciation charged to physical environment was \$113,461 and \$340,602 was charged to recreation.

**South Village Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2014**

NOTE E – LONG-TERM DEBT

The following is a summary of debt activity for the District for the year ended September 30, 2014.

| | |
|--------------------------------------|-----------------------------|
| Long-term debt at October 1, 2013 | \$ 22,850,000 |
| Principal payments | <u>(890,000)</u> |
| Long-term debt at September 30, 2014 | <u><u>\$ 21,960,000</u></u> |

Capital Improvement Revenue Bonds

\$26,635,000 Series 2005A Bonds, interest at 5.700%, maturing through May 1, 2035, payable on May 1 and November 1; collateralized by the pledged revenues of special assessments levied against the benefited property owners \$ 21,960,000

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

| Year Ending September 30, | Principal | Interest | Total |
|------------------------------|-----------------------------|-----------------------------|-----------------------------|
| 2015 | \$ 570,000 | \$ 1,251,720 | \$ 1,821,720 |
| 2016 | 605,000 | 1,219,230 | 1,824,230 |
| 2017 | 640,000 | 1,184,745 | 1,824,745 |
| 2018 | 675,000 | 1,148,265 | 1,823,265 |
| 2019 | 715,000 | 1,109,790 | 1,824,790 |
| 2020-2024 | 4,265,000 | 4,886,040 | 9,151,040 |
| 2025-2029 | 5,665,000 | 3,520,320 | 9,185,320 |
| 2030-2034 | 7,535,000 | 1,705,155 | 9,240,155 |
| 2035 | <u>1,290,000</u> | <u>73,530</u> | <u>1,363,530</u> |
| Totals | <u><u>\$ 21,960,000</u></u> | <u><u>\$ 16,098,795</u></u> | <u><u>\$ 38,058,795</u></u> |

Summary of Significant Bonds Resolution Terms and Covenants

The Bond Indenture established a debt service reserve requirement as well as other restrictions and requirements relating principally to the use of proceeds and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District is in compliance with those requirements of the Bond Indenture as of September 30, 2014. In lieu of a bond reserve the Developer has provided a letter of credit as collateral for the Bonds. The District collects a fee each year for the letter of credit. The balance due the Developer is \$103,175 at September 30, 2014.

South Village Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE F – SPECIAL ASSESSMENT REVENUES

Assessments are non-ad valorem assessments on benefitted property within the District. Operating and Maintenance Assessments are based upon adopted budget and levied annually at a public hearing of the District. Debt Service Assessments are levied when bonds are issued and collected annually. The District may collect assessments directly or utilize the uniform method of collection (Chapter 197.3632, Florida Statutes). Direct collected assessments are due as determined by annual assessment resolution adopted by the Board of Supervisors. Assessments collected under the uniform method are due and payable on November 1 or as soon as the assessment roll is certified and delivered to the Tax Collector. Per Section 197.162, Florida Statutes, discounts are allowed for early payment at the rate of 4% in November, 3% in December, 2% in January, and 1% in February. Taxes paid in March are without discount.

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 government.

NOTE G – INTERLOCAL AGREEMENTS

In January 2004, the District entered into a cost sharing agreement with Middle Village Community Development District (“Middle Village”) for the maintenance of certain landscape improvements for which both Districts benefit. In accordance with the interlocal agreement, Middle Village will perform the required maintenance and the District will provide 31% of the costs incurred to perform the maintenance. For the fiscal year ended September 30, 2014, the costs related to the maintenance incurred by Middle Village was approximately \$115,706, of which \$35,869 was reimbursed to Middle Village by the District in connection with the agreement.

NOTE H – DEVELOPER AGREEMENTS

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

Pursuant to the funding agreement dated September 4, 2012, the Developer has agreed to fund any deficit of the District’s general government, physical environment, and recreation expenditures in excess of the special assessments collected up to the total amount expended by the District for the fiscal year, without any reimbursement to the Developer. In connection with this agreement, Developer contributions to the general and recreation funds were \$88,133 and \$10,187, respectively.

South Village Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE I – MANAGEMENT AGREEMENTS

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

The District has also contracted with two additional management companies, both who are affiliated with the Developer, to perform property management services, including managing, operating, maintaining, and supervising the recreation facilities of the District. Under these agreements, the District compensates the management companies for management, accounting, financial reporting, computer and other administrative costs.

NOTE J – CONCENTRATIONS

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

NOTE K – 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.

NOTE L - PRIOR PERIOD ADJUSTMENT

Beginning net position was restated to properly reflect the amount due to the developer for providing a letter of credit, in lieu of a bond reserve.

| | |
|--|------------------------|
| Net position - October 1, 2013 as reported | \$ (11,361,965) |
| Amount due to developer | <u>(87,990)</u> |
| Net position October 1, 2013 restated | <u>\$ (11,449,955)</u> |



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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

South Village Community Development District
Clay County, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America the financial statements of South Village Community Development District (the "District") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise South Village Community Development District's basic financial statements, and have issued our report thereon dated June 25, 2015.

Internal Control over Financial Reporting

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

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 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. However, material weaknesses may exist that have not been identified.

South Village Community Development District
Clay County, Florida

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Village 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, PL
Fort Pierce, Florida

June 25, 2015



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MANAGEMENT LETTER

To the Board of Supervisors
South Village Community Development District
Clay County, Florida

Report on the Financial Statements

We have audited the financial statements of the South Village Community Development District, Florida as of and for the year ended September 30, 2014, and have issued our report thereon dated June 25, 2015.

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 Schedules

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 Independent Accountant's Report on examination conducted in accordance with *ACIPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports which are dated June 25, 2015 should be considered in conjunction with this Management Letter.

Prior Audit Findings

The Rules of the Auditor General (Section 10.554(1)(i)1.) require 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 findings in the preceding audit report.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not South Village 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 South Village Community Development District has not met one or more of the conditions described in Section 218.503(1), Florida Statutes.

To the Board of Supervisors
South Village Community Development District

As required by the Rules of the Auditor General (Section 10.554(1)(i)5.c. and Section 10.556(8)), we applied financial conditions assessment procedures. It is Management's responsibility to monitor the entity'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

As required by the Rules of the Auditor General (Section 10.554(1)(i)5.b.), we determined that the annual financial report for the District for the fiscal year ended September 30, 2014, filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with our annual financial audit report for the fiscal year ended September 30, 2014. In connection with our audit, we determined that these two reports were in agreement.

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.

2014-01

Finding: Total actual expenditures exceeded the total approved Recreation Fund budget which is in violation of Sections 189.418(3) and 190, Florida Statutes.

Recommendation: The Board should monitor budget versus actual expenditures during the year and amend the budget if required.

Response: Management will monitor the budget in the future to ensure actual expenditures don't exceed budgeted amounts.

To the Board of Supervisors
South Village Community Development District

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, 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

June 25, 2015



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

To the Board of Commissioners
South Village Community Development District
Clay County, Florida

We have examined South Village Community Development District's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2014. Management is responsible for South Village Community Development District's compliance with those requirements. Our responsibility is to express an opinion on South Village 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 South Village 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 South Village Community Development District's compliance with the specified requirements.

In our opinion, South Village Community Development District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2014.

*Berger, Toombs, Elam,
Gaines & Frank*

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

June 25, 2015