

**BELMONT
COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2013**

**BELMONT COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Belmont Community Development District
Hillsborough County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Belmont Community Development District, Hillsborough County, Florida ("District") as of and for the fiscal year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2013, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note 2 to the financial statements, in fiscal year 2013, the District implemented new accounting guidance, Governmental Accounting Standards Board (“GASB”) Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*.

As discussed in Note 7 – Long Term Liabilities and other referenced notes to the financial statements, the Developer failed to pay its share of assessments in the prior, current and subsequent fiscal years. As a result, the November 2008 debt service interest payment on the Series 2006B Bonds was made, in part, by draws on the Debt Service Reserve Account. Furthermore, the Trustee did not receive sufficient payments from the District for payment of the May 2009 through May 2013 debt service on the Series 2006B Bonds when due. However, on November 7, 2012, the District collected \$5,241,850 representing delinquent debt service assessment from November 2008 to October 2012 and made an interest payment in the same amount, thus eliminating all past due amounts. The interest payment due on May 1, 2013 on the Series 2006B Bonds was paid late on July 17, 2013 with a transfer from the prepayment account. Subsequent to fiscal year end, the District did not make the November 2013 or May 2014 debt service payments due on the Series 2006B Bonds. The Developer owns a significant portion of land within the District. The District is economically dependent on the Developer.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2014, on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.

June 27, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Belmont Community Development District, Hillsborough County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2013. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The liabilities of the District exceeded its assets at the close of the most recent fiscal year resulting in a net position deficit balance of (\$4,704,777).
- The change in the District's total net position in comparison with the prior year was \$11,307,008, a decrease in the deficit. The key components of the District's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- At September 30, 2013, the District's governmental funds reported combined ending fund balance of \$5,560,358, an increase of \$4,633,486 in comparison with the prior year. A portion of the fund balance is non-spendable for prepaid items and deposits, restricted for debt service and capital projects, and the remainder is unassigned fund balance which is available for spending at the District's discretion.
- During fiscal year 2013, the District implemented Governmental Accounting Standards Board ("GASB") Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board ("FASB") and American Institute of Certified Public Accountants ("AICPA") Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Please see New Accounting Standards Adopted in Note 2 of the financial statements for additional information.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Fund Financial Statements

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

Governmental Funds

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

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

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

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

Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

NET POSITION SEPTEMBER 30,		
	2013	2012
Assets, excluding capital assets	\$ 6,598,347	\$ 6,328,266
Capital assets, net of depreciation	12,969,114	12,881,842
Total assets	<u>19,567,461</u>	<u>19,210,108</u>
Liabilities, excluding long-term liabilities	644,357	5,879,469
Long-term liabilities	23,627,881	29,196,744
Total liabilities	<u>24,272,238</u>	<u>35,076,213</u>
Net position		
Net investment in capital assets	3,016,195	(2,316,417)
Restricted	558,648	-
Unrestricted	(8,279,620)	(13,549,688)
Total net position (deficit)	<u>\$ (4,704,777)</u>	<u>\$ (15,866,105)</u>

The District's net position increased during the most recent fiscal year. The majority of the increase is the result of recognition of a gain on the cancellation of certain debt service obligations – see Note 7. In addition, the District received a substantial amount of prepayments for lot sales.

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

CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED SEPTEMBER 30,		
	2013	2012
Revenues:		
Program revenues	\$ 5,596,742	\$ 5,844,448
General revenues	626	321
Total revenues	<u>5,597,368</u>	<u>5,844,769</u>
Expenses:		
General government	152,629	138,178
Maintenance and operations	804,284	784,076
Interest	1,438,447	1,570,592
Total expenses	<u>2,395,360</u>	<u>2,492,846</u>
Special item	8,105,000	-
Change in net position	<u>11,307,008</u>	<u>3,351,923</u>
Net position (deficit) - beginning, previously stated	(15,866,105)	(19,218,028)
Effect of adoption of GASB No. 65 (Note 2)	(145,680)	-
Net position (deficit) - beginning, as restated	<u>(16,011,785)</u>	<u>-</u>
Net position (deficit) - ending	<u>\$ (4,704,777)</u>	<u>\$ (15,866,105)</u>

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2013 was \$2,395,360. Program revenues, comprised primarily of assessments, decreased during the current fiscal year as a result of the collection on previously delinquent Developer owed assessments recognized in the prior fiscal year. The majority of the change in expenses results from the decrease in interest.

GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2013.

The variance between budgeted and actual general fund revenues for the current fiscal year is the result of the non-payment of a significant portion of the current fiscal year assessments by the Developer. The actual general fund expenditures for the current fiscal year were lower than budgeted amounts due primarily to anticipated costs which were not incurred in the current fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2013, the District had \$17,068,733 invested in infrastructure under construction and various infrastructure capital assets for its governmental activities. In the government-wide financial statements, depreciation of \$4,099,619 has been taken, which resulted in a net book value of \$12,969,114. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Capital Debt

At September 30, 2013, the District had \$23,635,000 in Bonds outstanding for its governmental activities. As a result of non payment of assessments by the Original Developer, the District defaulted on the Series 2006B Bonds in a prior fiscal year. During the current fiscal year, the District issued \$6,170,000 in Series 2013A Bonds. More detailed information about the District's capital debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND OTHER EVENTS

As discussed in the notes to the basic financial statements, there were significant delinquent Developer assessments in the current and subsequent fiscal years. As a result, subsequent to the end of the current fiscal year, the District did not make certain debt service payments on the Series 2006B Bonds. Furthermore, the District entered into a construction funding agreement with the Developer to finance a portion of its remaining infrastructure project. See Note 12 – Subsequent Events for details.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

**BELMONT COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 208,753
Investments	2,830
Assessments receivable	976,422
Prepaid expenses and deposits	8,328
Restricted assets:	
Investments	5,402,014
Capital assets:	
Nondepreciable	1,661,839
Depreciable, net	11,307,275
Total assets	19,567,461
 LIABILITIES	
Accounts payable	61,567
Accrued interest payable	582,790
Non-current liabilities:	
Due in more than one year	23,627,881
Total liabilities	24,272,238
 NET POSITION	
Net investment in capital assets	3,016,195
Restricted	558,648
Unrestricted	(8,279,620)
Total net position (deficit)	\$ (4,704,777)

See notes to the financial statements

**BELMONT COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 152,629	\$ 152,629	\$ -	\$ -	\$ -
Maintenance and operations	804,284	115,884	-	1	(688,399)
Interest on long-term debt	1,438,447	5,327,961	267	-	3,889,781
Total governmental activities	2,395,360	5,596,474	267	1	3,201,382
General revenues:					
Unrestricted investment earnings					150
Miscellaneous					476
Total general revenues					626
Special item - gain on cancellation of debt					8,105,000
Total special item					8,105,000
Change in net position					11,307,008
Net position (deficit) - beginning, previously stated					(15,866,105)
Effect of adoption of GASB No. 65 (Note 2)					(145,680)
Net position (deficit) - beginning, as restated					(16,011,785)
Net position (deficit) - ending					\$ (4,704,777)

See notes to the financial statements

**BELMONT COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

	Major Funds			Total Governmental Funds
	General	Debt Service Fund	Capital Projects Fund	
ASSETS				
Cash and cash equivalents	\$ 208,753	\$ -	\$ -	\$ 208,753
Investments	2,830	554,981	4,847,033	5,404,844
Due from other fund	13,925	-	-	13,925
Assessment receivable	135,510	840,912	-	976,422
Prepaid expenses and deposits	4,835	3,493	-	8,328
Total assets	<u>\$ 365,853</u>	<u>\$ 1,399,386</u>	<u>\$ 4,847,033</u>	<u>\$ 6,612,272</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,262	\$ -	\$ 59,305	\$ 61,567
Due to other funds	-	-	13,925	13,925
Total liabilities	<u>2,262</u>	<u>-</u>	<u>73,230</u>	<u>75,492</u>
Deferred Inflow of Resources:				
Unavailable revenue	135,510	840,912	-	976,422
Total deferred inflows of resources	<u>135,510</u>	<u>840,912</u>	<u>-</u>	<u>976,422</u>
Fund balances:				
Nonspendable:				
Prepaid items and deposits	4,835	3,493	-	8,328
Restricted for:				
Debt service	-	554,981	-	554,981
Capital projects	-	-	4,773,803	4,773,803
Unassigned	223,246	-	-	223,246
Total fund balances	<u>228,081</u>	<u>558,474</u>	<u>4,773,803</u>	<u>5,560,358</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 365,853</u>	<u>\$ 1,399,386</u>	<u>\$ 4,847,033</u>	<u>\$ 6,612,272</u>

See notes to the financial statements

**BELMONT COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2013**

Fund balance - governmental funds		\$ 5,560,358
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The statement of net position includes those capital assets, net of any accumulated depreciation, in the net position of the government as a whole.		
Cost of capital assets	17,068,733	
Accumulated depreciation	<u>(4,099,619)</u>	12,969,114
Assets recorded in the governmental fund financial statements that are not available to pay for current period expenses are unavailable revenue in the governmental funds.		
		976,422
Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.		
Accrued interest payable	(582,790)	
Bonds payable	<u>(23,627,881)</u>	<u>(24,210,671)</u>
Net position of governmental activities		<u>\$ (4,704,777)</u>

See notes to the financial statements

**BELMONT COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	Major Funds			Total Governmental Funds
	General	Debt Service Fund	Capital Projects Fund	
REVENUES				
Assessments	\$ 133,003	\$ 72,371	\$ -	\$ 205,374
Assessments - prepayments	-	4,414,678	-	4,414,678
Interest	150	267	1	418
Miscellaneous revenue	476	-	-	476
Total revenues	<u>133,629</u>	<u>4,487,316</u>	<u>1</u>	<u>4,620,946</u>
EXPENDITURES				
Current:				
General government	118,363	34,266	-	152,629
Maintenance and operations	102,296	-	-	102,296
Debt service:				
Principal	-	3,640,000	-	3,640,000
Interest	-	1,189,575	-	1,189,575
Bond related costs	-	-	283,700	283,700
Capital outlay	-	151,651	637,609	789,260
Total expenditures	<u>220,659</u>	<u>5,015,492</u>	<u>921,309</u>	<u>6,157,460</u>
Excess (deficiency) of revenues over (under) expenditures	(87,030)	(528,176)	(921,308)	(1,536,514)
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	-	-	1,111	1,111
Interfund transfers out	-	(1,111)	-	(1,111)
Bond proceeds	-	475,065	5,694,935	6,170,000
Total other financing sources (uses)	<u>-</u>	<u>473,954</u>	<u>5,696,046</u>	<u>6,170,000</u>
Net change in fund balances	(87,030)	(54,222)	4,774,738	4,633,486
Fund balances (deficits) - beginning	<u>315,111</u>	<u>612,696</u>	<u>(935)</u>	<u>926,872</u>
Fund balances - ending	<u>\$ 228,081</u>	<u>\$ 558,474</u>	<u>\$ 4,773,803</u>	<u>\$ 5,560,358</u>

See notes to the financial statements

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

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

Net change in fund balances - total governmental funds	\$ 4,633,486
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is eliminated and capitalized as capital assets.	789,260
Depreciation of capital assets is not recognized in the governmental fund statements but is reported as an expense in the statement of activities.	(701,988)
Governmental funds report bond proceeds when debt is first issued, whereas these proceeds are eliminated in the statement of activities and recognized as long-term liabilities in the statement of net position.	(6,170,000)
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.	3,640,000
Revenues in the statement of activities that do not provide current financial resources are unavailable and not reported as revenues in the fund financial statements.	976,422
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds. The details of the difference are as follows:	
Amortization of discount	(6,137)
The gain on cancellation of debt is not recognized in the governmental fund financial statements, but is reported as a special item on the statement of activities.	8,105,000
The change in accrued interest on long-term liabilities between the current and prior fiscal year is recorded in the statement of activities but not in the fund financial statements.	40,965
Change in net position of governmental activities	<u>\$11,307,008</u>

See notes to the financial statements

**BELMONT COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

Belmont Community Development District (the "District") was established on February 10, 2006 by Hillsborough County Ordinance 06-4, pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes. The Act provides, among other things, the power to manage basic services for community development, the power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

The District is governed by the Board of Supervisors ("Board"), which is composed of five members. The Supervisors are initially elected on an at large basis by landowners of the District. Ownership of land within the District entitles the owner to one vote per acre. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes. The District was originally developed by Belmont, LLC ("Original Developer"). In February 2010, the Original Developer conveyed, by quit claim deed, property owned within the District to Belmont Land Acquisition, LLC. In March 2010, the land was subsequently conveyed, by quit claim deed, to Belmont Real Estate, LLC (the "Developer"). As of September 30, 2013, four of the Board members are affiliated with the Developer.

The Board has the final responsibility for:

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Assessments

Assessments, including debt service assessments and operation and maintenance assessments, are non-ad valorem assessments imposed on all lands located within the District and benefited by the District's activities. Operation and maintenance assessments are levied by the District prior to the start of the fiscal year which begins October 1st and ends on September 30th. Operation and maintenance special assessments are imposed upon all benefitted lands in the District. Debt service special assessments are imposed upon certain lots and lands described in each resolution imposing the special assessment for each series of Bonds issued by the District. Certain debt service assessments are collected upon the closing of those lots subject to short term debt and are used to prepay a portion of the Bonds outstanding.

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.

The District reports the following major governmental funds:

General Fund

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

Debt Service Fund

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

Capital Projects Fund

This fund accounts for the financial resources to be used for the acquisition or construction of major infrastructure within the District financed with the Bonds.

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Standards Implemented

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

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

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

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

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

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

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

The implementation of GASB 65 resulted in the write off of Bond issuance costs and the effect of adoption of GASB 65 is the reduction of beginning net position by \$145,680 of the governmental activities. The effect on fiscal year 2012 had the implementation of GASB 65 occurred earlier would have resulted in a decrease in expenses of the governmental activities by \$67,442.

Assets, Liabilities and Net Position or Equity

Restricted Assets

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

Deposits and Investments

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Deposits and Investments (Continued)

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

Inventories and Prepaid Items

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

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

Capital Assets

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

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

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

<u>Assets</u>	<u>Years</u>
Water management control	25
Security and landscaping	15

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

Unearned Revenue

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

Long-Term Obligations

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Deferred Outflows/Inflows of Resources

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

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

Fund Equity/Net Position

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

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

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

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

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

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

Other Disclosures

Use of Estimates

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

NOTE 3 – BUDGETARY INFORMATION

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

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

- a) Each year prior to June 15, the District Manager submits to the District Board a proposed operating budget for approval for the fiscal year commencing on October 1.
- b) A public hearing is conducted to obtain comments.
- c) Prior to October 1, the budget is legally adopted by the District Board.
- d) All budget changes must be approved by the District Board, subject to the District's annual appropriation resolution.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
- f) Unused appropriation for annually budgeted funds lapse at the end of the year.

NOTE 4 – DEPOSITS AND INVESTMENTS

Deposits

The District's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer, except for amounts held in money market accounts in the Bond Trust Accounts held in the Debt Service and Capital Projects Funds. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

Investments

The District's investments were held as follows at September 30, 2013:

	Fair Value	Credit Risk	Weighted Average Maturities
US Bank Money Market Account - Managed	\$ 80,093	Not rated	N/A
First American Treasury Obligation CI Z	5,321,921	S&P AAAM	48 days
Investment in Local Government Surplus Funds Trust Fund (Florida PRIME)	2,162	S&P AAAM	44 days
Investment in Fund B Surplus Funds Trust Fund	668	Not rated	4.04 years
	<u>\$ 5,404,844</u>		

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

Concentration risk – The District places no limit on the amount the District may invest in any one issuer, nor is it required to do so.

Interest rate risk – The District does not have a formal policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates, nor is it required to do so.

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

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at September 30, 2013 were as follows:

Fund	Receivable	Payable
General	\$ 13,925	\$ -
Capital projects fund		13,925
Total	\$ 13,925	\$ 13,925

The outstanding balances between funds result primarily from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made. In the case of the District, the balances between the general fund and the capital projects fund relate to expense paid by the general fund that have not yet been reimbursed by the capital projects fund.

NOTE 6 – CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Infrastructure in progress	\$ 872,579	\$ 789,260	\$ -	\$ 1,661,839
Total capital assets, not being depreciated	872,579	789,260	-	1,661,839
Capital assets, being depreciated				
Water management control	12,192,672	-	-	12,192,672
Security and landscaping	3,214,222	-	-	3,214,222
Total capital assets, being depreciated	15,406,894	-	-	15,406,894
Less accumulated depreciation for:				
Water management control	(2,438,535)	(487,707)	-	(2,926,242)
Security and landscaping	(959,096)	(214,281)	-	(1,173,377)
Total accumulated depreciation	(3,397,631)	(701,988)	-	(4,099,619)
Total capital assets, being depreciated, net	12,009,263	(701,988)	-	11,307,275
Governmental activities capital assets, net	\$ 12,881,842	\$ 87,272	\$ -	\$ 12,969,114

The original infrastructure intended to serve the District has been estimated at a total cost of approximately \$54,000,000. The infrastructure will include roadway improvements, stormwater management system, water and sewer system, parks and recreation facilities and irrigation and wetland mitigation improvements. A portion of the project costs was expected to be financed with the proceeds from the issuance of Bonds with the remainder to be funded by the Original Developer in accordance with a completion agreement. In a prior year, certain improvements were conveyed to the County for ownership and maintenance responsibilities. Furthermore, additional improvements may be conveyed to the County or other entities upon completion of the project.

During the current fiscal year, the District amended its infrastructure improvement plan in conjunction with the issuance of the Series 2013A Bonds. The estimated cost of the Series 2013A project for Phase IB and Phase IC are approximately \$7,641,591, a portion of which will be financed by the Series 2013A Bonds. The remaining balance is expected to be funded by the Developer in accordance with acquisition and completion agreements executed during the current fiscal year – see Note 8 for additional information. Subsequent to year end, the District entered into a Construction Funding Agreement with the Developer. Under the agreement, the Developer agreed to advance certain funds to fund construction in anticipation of reimbursement from future Bond issuance.

Depreciation expense was charged to the maintenance and operations function.

NOTE 7 – LONG TERM LIABILITIES

Series 2006

On June 1, 2006, the District issued \$29,980,000 of Capital Improvement Revenue Bonds, Series 2006B. The Series 2006B Bonds are term Bonds due on November 1, 2014 with a fixed interest rate of 5.125%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is paid semiannually on each May 1 and November 1. Principal is due in one balloon payment on November 1, 2014. In the current fiscal year, the Bond Indenture was amended to extend the maturity date to November 1, 2020.

The Series 2006B Bonds are not subject to optional redemption. The Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture. This occurred during the current fiscal year as the District collected assessments from lot closings and prepaid \$3,640,000 of the Series 2006B Bonds.

The Bond Indenture established a debt service reserve requirement as well as other restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to 1) levy special assessments in annual amounts adequate to provide payment of debt service, and 2) to meet the reserve requirements.

As discussed in Note 8 – Developer Transactions, the Original Developer did not make payment on the special assessments which ultimately secure the Bonds. As a result, the November 2008 debt service interest payment was made, in part, by draws on the Debt Service Reserve Account. In addition, certain funds were transferred from the Reserve Account in accordance with the First Amendment to the Supplemental Trust Indentures as noted below, causing a deficit in the Series 2006B Debt Service Reserve Account in prior years. Furthermore, the Trustee did not receive sufficient payments from the District for payment of the May 2009 through May 2013 debt service when due. However, on November 7, 2012, the District collected \$5,241,850 representing delinquent debt service assessment from November 2008 to October 2012 and made an interest payment in the same amount, thus eliminating all past due amounts. The interest payment due on May 1, 2013 was paid late on July 17, 2013 with a transfer from the prepayment account. See Note 12 – Subsequent Events for additional information subsequent to fiscal year end.

Amendment to the Supplemental Trust Indenture

The Series 2006B Supplemental Trust Indenture was amended on January 29, 2009 as a result of the Original Developer not paying its share of the current year assessments. The amendment allows for the creation of a Default Expenditure Fund to be funded with monies held on deposit in the Reserve and Prepayment accounts. The amendment directed the Trustee to withdraw \$120,344 from the Prepayment Account and \$123,666 from the Reserve Account and deposit the monies into the Default Expenditure account to be used to pay certain operation and maintenance expenditures. In the event amounts are collected in excess of the non-paid assessments, the Prepayment account will be replenished.

During the current fiscal year, the District adopted Resolution 2013-02 which revised Resolution 2006-29, the final assessment resolution securing the Series 2006B Bonds, to allow for prepayments in kind of debt service special assessments by surrendering Series 2006B Bonds for cancellation. The District also adopted the First Amendment to the First Supplemental Indenture, dated March 1, 2013, which (i) reduced the Debt Service Reserve requirement to \$25,000; (ii) extended maturity of the Series 2006B Bonds from November 1, 2014 to November 1, 2020; and (iii) authorized the prepayment of debt service special assessment by the presentation and cancellation of Series 2006B Bonds. Subsequent to the adoption of the resolution, the Developer made an \$8,105,000 prepayment in kind, thereby cancelling those Bonds. The District was in compliance with the revised reserve requirements at September 30, 2013.

NOTE 7 – LONG TERM LIABILITIES (Continued)

Events of Default and Use of Funds in the Trust Accounts

In June 2009, the District declared the occurrence of an event of default in accordance with the Bond Indenture. Additional Events of Default have occurred since then, as discussed in further detail above and in Note 12 – Subsequent Events. The occurrence of an event of default creates certain remedial rights and remedies in favor of the Trustee. Pursuant to the Indenture, the owners of at least fifty-one percent (51%) in aggregate principal amount of the Bonds then outstanding may direct the Trustee with regard to such rights and remedies following an event of default and upon provision of indemnity satisfactory to the Trustee and in accordance with provisions of the Indenture. Due to continued non-payment of the Original Developer and legal proceedings an additional \$214,878 was transferred from the Prepayment Account into the Default Expenditure account in the prior year to be used to pay certain operation and maintenance expenditures. In addition, during the prior and current fiscal years, respectively, approximately \$25,000 and \$34,000 in expenses was paid directly from the Revenue and Prepayment Trust Accounts. During the current fiscal year, \$151,178 in construction expenditures were paid from the Series 2006B prepayment account

Series 2013A

In March 2013, the District issued \$6,170,000 in Capital Improvement Revenue Bonds Series 2013A with interest rates ranging from 5.5% to 6.5%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is paid semiannually on each May 1 and November 1, commencing on November 1, 2013. Principal is serially on November 1, commencing on November 1, 2014 through November 1, 2043.

The Series 2013 Bonds are not subject to optional redemption on or after November 1, 2033. The Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture.

The Bond Indenture established a debt service reserve requirement as well as other restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to 1) levy special assessments in annual amounts adequate to provide payment of debt service, and 2) to meet the reserve requirements. The District was in compliance with the requirements at September 30, 2013.

Long-term debt activity

Changes in long-term liability activity for the fiscal year ended September 30, 2013 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 2006B	\$ 29,210,000	\$ -	\$ (11,745,000)	\$ 17,465,000	\$ -
Original issue discount	(13,256)	-	6,137	(7,119)	-
Series 2013	-	6,170,000	-	6,170,000	-
Total	<u>\$ 29,196,744</u>	<u>\$ 6,170,000</u>	<u>\$ (11,738,863)</u>	<u>\$ 23,627,881</u>	<u>\$ -</u>

NOTE 7 – LONG TERM LIABILITIES (Continued)

At September 30, 2013, the scheduled debt service requirements on the long - term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2014	\$ -	\$ 1,329,193	\$ 1,329,193
2015	80,000	1,276,863	1,356,863
2016	85,000	1,272,325	1,357,325
2017	90,000	1,267,513	1,357,513
2018	95,000	1,262,425	1,357,425
2019-2023	18,015,000	3,988,484	22,003,484
2024-2028	725,000	1,569,947	2,294,947
2029-2033	980,000	1,311,113	2,291,113
2034-2038	1,320,000	955,069	2,275,069
2039-2043	1,810,000	450,775	2,260,775
2044	435,000	14,138	449,138
Total	<u>\$ 23,635,000</u>	<u>\$ 14,697,845</u>	<u>\$ 38,332,845</u>

NOTE 8 – DEVELOPER TRANSACTIONS

The Developer owns the majority of the land within the District, therefore assessments in the general and debt service funds include assessments levied on lands currently owned by the Developer.

The Original Developer did not make payments on its assessments for the 2009 to 2012 fiscal years when due. In a prior year, the District filed a foreclosure suit for collection of the unpaid assessments (the "Foreclosure"). During the pendency of the Foreclosure, the Trustee filed a declaratory judgment action seeking court direction on matters which substantially affected the Foreclosure. The District filed a summary judgment motion in the Foreclosure; however, the hearing on this motion was postponed pending the outcome of the declaratory judgment action. During the prior fiscal year, the Parties to the foreclosure suit and the declaratory judgment action formally resolved their disputes. During the current fiscal year, the District collected prior years' past due assessments of \$5,169,479. However, direct billed FY 2013 assessments of \$135,510 and \$840,912 for operations and maintenance and debt service, respectively remain delinquent. See Note 12 – Subsequent Events for additional information regarding delinquent assessments.

Acquisition and Completion Agreements

In March 2013, the District entered into an Acquisition Agreement with the Developer. In accordance with the agreement, the Developer agrees to contribute funds, improvements, real property, and/or work product equaling or exceeding \$1,906,761 in lieu of Series 2013A Assessments on certain property owned by the Developer. In addition, certain infrastructure for the Series 2013A Project in excess of this contribution amount will be acquired from the Developer. Furthermore, the Developer entered into a Completion Agreement, whereby the Developer agrees to complete any portion of the project not financed by the Series 2013A Bond proceeds and the contribution above and convey these assets to the District or such other appropriate unit of local government as is designated by the Engineer's Report or required by governmental regulation or development approval. See Note 12 – Subsequent Events for additional information.

NOTE 9 – CONCENTRATION

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

NOTE 10 – RELATED PARTIES

The District has contracted with a management company to perform management advisory services, which include financial and accounting advisory services. Certain employees of the management company also serve as officers (Board appointed non-voting positions) of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, and other administrative services.

The District's Series 2006 Bonds are owned by Belmont Investment Group, LLC which is a related entity of the Developer.

NOTE 11 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. The District filed two claims totaling approximately \$8,400, which do not exceed limits, under this commercial insurance coverage during the last three years.

NOTE 12 – SUBSEQUENT EVENTS

Assessments

The Developer owns a significant portion of the land within the District; therefore, the assessments levied in the general and debt service funds during the subsequent fiscal year include assessments levied on the land owned by the Developer. Subsequent to fiscal year end, the District did not collect outstanding Developer direct assessments for FY 2013 or FY 2014.

Debt Service

Subsequent to fiscal year end, the District did not collect Developer assessments for debt service, therefore the November 1, 2013 and May 1, 2014 interest payments due on the Series 2006B Bonds were not made when due. The inability of the District to pay its debt service is considered an event of default.

Construction Funding Agreement

In November 2013, the District entered into a construction funding agreement with the Developer. Under the agreement once the funds in the Series 2013A construction account are depleted, the Developer will advance funding for continued construction on the project in anticipation of repayment from future bond issuance.

**BELMONT COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	Budgeted Amounts <u>Original & Final</u>	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Assessments	\$ 259,325	\$ 133,003	\$ (126,322)
Interest	-	150	150
Miscellaneous revenue	-	476	476
Total revenues	259,325	133,629	(125,696)
EXPENDITURES			
Current:			
General government	110,397	118,363	(7,966)
Maintenance and operations	148,928	102,296	46,632
Total expenditures	259,325	220,659	38,666
Excess (deficiency) of revenues over (under) expenditures	\$ -	(87,030)	\$ (87,030)
Fund balance - beginning		315,111	
Fund balance - ending		\$ 228,081	

See notes to required supplementary information

**BELMONT COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2013.

The variance between budgeted and actual general fund revenues for the current fiscal year is the result of the non-payment of a significant portion of the current fiscal year assessments by the Developer. The actual general fund expenditures for the current fiscal year were lower than budgeted amounts due primarily to anticipated costs which were not incurred in the current fiscal year.



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

To the Board of Supervisors
Belmont Community Development District
Hillsborough 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 the governmental activities and each major fund of Belmont Community Development District, Hillsborough County, Florida ("District") as of and for the fiscal year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated June 27, 2014, which includes emphasis of matter paragraphs.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted another certain matters involving the internal control over financial reporting and compliance that we have reported to management of the District in a separate letter dated June 27, 2014.

The District's responses to the findings identified in our audit are described in the accompanying Management Letter. We did not audit the District's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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

June 27, 2014



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

To the Board of Supervisors
Belmont Community Development District
Hillsborough County, Florida

We have audited the accompanying basic financial statements of Belmont Community Development District ("District") as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated June 27, 2014, which includes emphasis of a matter paragraphs.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Florida Auditor General. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In addition, we have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards* and Chapter 10.550, Rules of the Florida Auditor General dated June 27, 2014. Disclosures in that report should be considered in conjunction with this management letter.

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

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

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

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

June 27, 2014

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2013-01: Bondholder Consent

Observation: During prior year's procedures, the auditor was not provided Bondholder consent for certain transfers made from the debt service fund to the general fund. The transfers were made to finance general fund expenditures that exceeded available resources in both the current and prior fiscal years. In the current year, no Bondholder consent was provided for certain additional payments from the trust accounts in the debt service funds.

Recommendation: The District should ensure consent is received from the Bondholders for all transfer of funds from the trust account that are not outlined in the Bond Indenture or any amendments to the Bond Indenture.

Management Response: The District has attempted, on numerous occasions, to obtain documentation from the Trustee of consent for all transfers by the Bondholders. The Trustee stated that they were not able to provide copies of the correspondence between the Bondholders and the Trustee. In addition, the Trustee stated that the direction to fund these items was given to the Trustee by the Bondholders and does not require confirmation by the District.

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

2009-02, 2010-02, 2011-02, 2012-01: Reserve Requirement

Current Status: This matter has been resolved

2010-03, 2011-03, 2012-02: Bondholder Consent

Current Status: See finding no. 2013-01 above

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

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

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

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2012, except as noted above.

2. A statement as to whether or not the local governmental entity complied with Section 218.415, Florida Statutes, regarding the investment of public funds.

The District complied with Section 218.415, Florida Statutes, regarding the investment of public funds.

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

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2013, except as noted above.

REPORT TO MANAGEMENT (Continued)

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

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2013, except as noted above.

5. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.
6. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2013 financial audit report.
7. In connection with our audit, we determined that the District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes. We applied financial condition assessment procedures pursuant to Rule 10.556(7) and determined that no deteriorating financial condition was noted. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.