

**QUANTUM PARK OVERLAY  
DEPENDENT DISTRICT  
PALM BEACH COUNTY, FLORIDA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2014**

**QUANTUM PARK OVERLAY DEPENDENT DISTRICT  
PALM BEACH COUNTY, FLORIDA**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
Quantum Park Overlay Dependent District  
Palm Beach County, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Quantum Park Overlay Dependent District, Palm Beach County, Florida (the "District") as of and for the fiscal year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of September 30, 2014, 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.

## **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 30, 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, 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.

### **Report on Other Legal and Regulatory Requirements**

We have also issued our report dated June 30, 2015, on our consideration of the District's compliance with the requirements of Section 218.415, Florida Statutes, as required by Rule 10.556(10) of the Auditor General of the State of Florida. The purpose of that report is to provide an opinion based on our examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

June 30, 2015

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Quantum Park Overlay Dependent District, Palm Beach County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2014. 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 assets of the District exceeded its liabilities at the close of the fiscal year ended September 30, 2014 resulting in a net position balance of \$9,529,050.
- The change in the District's total net position in comparison with the prior fiscal year was (\$16,464), a decrease. 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, 2014, the District's governmental funds reported combined ending fund balances of \$718,308, a decrease of (\$352,731) in comparison with the prior fiscal year. The majority of fund balance is restricted for debt service and capital projects and a portion is assigned to subsequent year's expenditures. The remainder is unassigned fund balance which is available for spending at the District's discretion.

### OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are 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 and liabilities, 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 assessments. 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 outflow 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 balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund. The general fund is considered to be a major fund.

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, assets exceeded liabilities at the close of the most recent fiscal year.

The District's net position reflects 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

NET POSITION SEPTEMBER 30,		
	2014	2013
Current and other assets	\$ 763,150	\$ 1,134,712
Capital assets, net of depreciation	11,184,813	11,117,634
Total assets	<u>11,947,963</u>	<u>12,252,346</u>
Current liabilities	81,485	102,952
Long-term liabilities	2,337,428	2,603,880
Total liabilities	<u>2,418,913</u>	<u>2,706,832</u>
Net position		
Net investment in capital assets	8,859,736	8,513,754
Restricted	458,700	449,465
Unrestricted	210,614	582,295
Total net position	<u>\$ 9,529,050</u>	<u>\$ 9,545,514</u>

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

The District's net position decreased during the most recent fiscal year. The majority of the decrease represents the extent to which the cost of operations and depreciation expense exceeded ongoing program revenues.

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

CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED SEPTEMBER 30,		
	2014	2013
Revenues:		
Program revenues		
Charges for services	\$ 741,486	\$ 756,818
Operating grants and contributions	-	71,536
General revenues	9,453	38,239
Total revenues	<u>750,939</u>	<u>866,593</u>
Expenses:		
General government	161,372	174,400
Infrastructure, maintenance and operations	514,406	2,115,918
Interest	91,625	99,794
Total expenses	<u>767,403</u>	<u>2,390,112</u>
Change in net position	<u>(16,464)</u>	<u>(1,523,519)</u>
Net position - beginning, previously stated	9,545,514	11,094,633
Effect of adoption of GASB No. 65	-	(25,600)
Net position - beginning, as restated	<u>9,545,514</u>	<u>11,069,033</u>
Net position - ending	<u>\$ 9,529,050</u>	<u>\$ 9,545,514</u>

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2014 was \$767,403. The costs of the District's activities were primarily funded by program revenues. Program revenues, comprised primarily of assessments, decreased during the fiscal year due to revenue recorded from FEMA in the prior year which did not reoccur in the current fiscal year. In total, expenses decreased in the current fiscal year as a result of conveyance of infrastructure improvements to the City of Boynton Beach in the prior fiscal year.

## 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. The general fund budget for the fiscal year ended September 30, 2014 was amended to increase revenues by \$184,842 and appropriations by \$389,660. Actual general fund expenditures did not exceed appropriations. The actual general fund expenditures for the current fiscal year were lower than budgeted amounts due primarily to budgeted costs which were not incurred in the current fiscal year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At September 30, 2014, the District had \$13,438,554 invested in land, land improvements, infrastructure under construction, drainage systems and other improvements, for its governmental activities. In the government-wide financial statements depreciation of \$2,253,741 has been taken, which resulted in a net book value of \$11,184,813. More detailed information about the District's capital assets is presented in the notes of the financial statements.

### Capital Debt

At September 30, 2014, the District had notes payable totaling \$2,337,428 outstanding for its governmental activities. More detailed information about the District's capital debt is presented in the notes of the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND OTHER EVENTS

Subsequent to year end, Quantum Community Development District ("Quantum") was dissolved and the remaining assets of \$307,000 were transferred to the District.

The District does not anticipate any major projects or significant changes to its infrastructure maintenance program for the subsequent fiscal year. In addition, it is anticipated that the general operations of the District will remain fairly constant.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, land owners, 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 Quantum Park Overlay Dependent District's Finance Department at Special District Services, Inc., 2501A Burns Road, Palm Beach Gardens, Florida 33410.



**QUANTUM PARK OVERLAY DEPENDENT DISTRICT  
PALM BEACH COUNTY, FLORIDA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014**

	Governmental Activities
<b>ASSETS</b>	
Cash	\$ 245,979
Accounts receivable	2,630
Assessments receivable	6,847
Restricted assets:	
Cash	507,694
Capital assets:	
Nondepreciable	9,551,626
Depreciable, net	1,633,187
Total assets	11,947,963
<b>LIABILITIES</b>	
Accounts payable	44,842
Accrued interest payable	36,643
Non-current liabilities:	
Due within one year	276,184
Due in more than one year	2,061,244
Total liabilities	2,418,913
<b>NET POSITION</b>	
Net investment in capital assets	8,859,736
Restricted for debt service	458,700
Unrestricted	210,614
Total net position	\$ 9,529,050

See notes to the financial statements

**QUANTUM PARK OVERLAY DEPENDENT DISTRICT  
PALM BEACH COUNTY, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary government:				
Governmental activities:				
General government	\$ 161,372	\$ 741,486	\$ -	\$ 580,114
Maintenance and operations	514,406	-	-	(514,406)
Interest on long-term debt	91,625	-	-	(91,625)
Total governmental activities	<u>767,403</u>	<u>741,486</u>	<u>-</u>	<u>(25,917)</u>
General revenues:				
Unrestricted investment earnings				1,526
Miscellaneous				7,927
Total general revenues				<u>9,453</u>
Change in net position				<u>(16,464)</u>
Net position - beginning				<u>9,545,514</u>
Net position - ending				<u>\$ 9,529,050</u>

See notes to the financial statements

**QUANTUM PARK OVERLAY DEPENDENT DISTRICT  
PALM BEACH COUNTY, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUND  
SEPTEMBER 30, 2014**

	Major Fund General	Total Governmental Funds
<b>ASSETS</b>		
Cash	\$ 245,979	\$ 245,979
Accounts receivable	2,630	2,630
Assessments receivable	6,847	6,847
Cash - restricted	507,694	507,694
Total assets	\$ 763,150	\$ 763,150
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	\$ 44,842	\$ 44,842
Total liabilities	44,842	44,842
Fund balance:		
Restricted for:		
Debt service	495,343	495,343
Capital projects	12,351	12,351
Assigned to:		
Subsequent year's expenditures	12,000	12,000
Unassigned	198,614	198,614
Total fund balance	718,308	718,308
Total liabilities and fund balance	\$ 763,150	\$ 763,150

See notes to the financial statements

**QUANTUM PARK OVERLAY DEPENDENT DISTRICT  
PALM BEACH COUNTY, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014**

Fund balance - governmental funds \$ 718,308

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	13,438,554	
Accumulated depreciation	<u>(2,253,741)</u>	11,184,813

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	(36,643)	
Note payable	<u>(2,337,428)</u>	(2,374,071)

Net position of governmental activities		<u>\$ 9,529,050</u>
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See notes to the financial statements

**QUANTUM PARK OVERLAY DEPENDENT DISTRICT  
PALM BEACH COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	Major Fund General	Total Governmental Funds
<b>REVENUES</b>		
Assessments	\$ 741,486	\$ 741,486
Interest	1,526	1,526
Miscellaneous	7,927	7,927
Total revenues	750,939	750,939
<b>EXPENDITURES</b>		
Current:		
General government	161,372	161,372
Maintenance and operations	187,769	187,769
Debt service:		
Principal	266,452	266,452
Interest	94,261	94,261
Capital outlay	393,816	393,816
Total expenditures	1,103,670	1,103,670
Excess (deficiency) of revenues over (under) expenditures	(352,731)	(352,731)
Fund balance - beginning	1,071,039	1,071,039
Fund balance - ending	\$ 718,308	\$ 718,308

See notes to the financial statements

**QUANTUM PARK OVERLAY DEPENDENT DISTRICT  
PALM BEACH 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, 2014**

Net change in fund balance - total governmental funds	\$	(352,731)
Amounts reported for governmental activities in the statement of activities are different because:		
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.		266,452
Governmental funds report capital outlays as expenditures, however, the cost of capital assets is eliminated in the statement of activities and capitalized in the statement of net position.		393,816
Depreciation of capital assets is not recognized in the governmental fund statement but is reported as an expense in the statement of activities.		(326,637)
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.		2,636
Change in net position of governmental activities	\$	(16,464)

See notes to the financial statements

**QUANTUM PARK OVERLAY DEPENDENT DISTRICT  
PALM BEACH COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY**

Quantum Park Overlay Dependent District ("District") was created on October 18, 2005 by Ordinance 05-061 of the City of Boynton Beach, Florida, pursuant to the Uniform Dependent District Act of 1980, otherwise known as Chapter 189, Florida Statutes. The Act provides among other things, the power to manage basic services for community development, power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure. Under the City of Boynton Beach Ordinance 05-061 the District's governing body members are subject to removal at will by the Board of City Commissioners.

The District was established for the purpose of performing custodial duties related to infrastructure and other improvements acquired and or constructed by Quantum Community Development District.

The District is governed by the Board of Supervisors ("Board"), which is composed of four members. The Board of Supervisors is elected at bi-annual landowners meetings. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has the responsibility for:

1. Assessing 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 is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; 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 are non-ad valorem assessments on certain land and all platted lots within the District. Assessments are levied each November 1 on property of record as of the previous January. The fiscal year for which annual assessments are levied begins on October 1 with discounts available for payments through February 28 and become delinquent on April 1. For debt service assessments, amounts collected as advance payments are used to prepay a portion of the Bonds outstanding. Otherwise, assessments are collected annually to provide funds for the debt service on the portion of the Bonds which are not paid with prepaid assessments.

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 fund:

### **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.

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

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

#### **Restricted Assets**

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

#### **Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand and demand deposits (interest and non-interest bearing).



## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Assets, Liabilities and Net Position or Equity (Continued)

#### Deposits and Investments (Continued)

The District has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. 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.

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due.

The District records all interest revenue related to deposit 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>
Roadways	30
Stormwater	30
Landscaping Improvements	20

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 governmental fund financial statements.

#### Unearned Revenue

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

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Assets, Liabilities and Net Position or Equity (Continued)**

#### Long-Term Obligations

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

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.

#### Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future reporting period(s). For example, the District would record deferred outflows of resources on the statement of net position 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).

Deferred inflows of resources represent an acquisition of net position that applies to future reporting period(s). For example, when an asset is recorded in the governmental fund financial statements, but the revenue is unavailable, the District reports a deferred inflow of resources on the balance sheet 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.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Assets, Liabilities and Net Position or Equity (Continued)**

#### Fund Equity/Net Position (Continued)

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 the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- b) Public hearings are 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.
- 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**

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

## NOTE 5 – CAPITAL ASSETS

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

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land and land improvements	\$ 6,386,233	\$ -	\$ -	\$ 6,386,233
Infrastructure under construction	2,771,577	393,816	-	3,165,393
Total capital assets, not being depreciated	9,157,810	393,816	-	9,551,626
Capital assets, being depreciated				
Stormwater	3,593,009	-	-	3,593,009
Other landscaping improvements	293,919	-	-	293,919
Total capital assets, being depreciated	3,886,928	-	-	3,886,928
Less accumulated depreciation for:				
Stormwater	(1,633,185)	(326,637)	-	(1,959,822)
Other landscaping improvements	(293,919)	-	-	(293,919)
Total accumulated depreciation	(1,927,104)	(326,637)	-	(2,253,741)
Total capital assets, being depreciated, net	1,959,824	(326,637)	-	1,633,187
Governmental activities capital assets	\$ 11,117,634	\$ 67,179	\$ -	\$ 11,184,813

Depreciation expense was charged to maintenance and operations.

During the fiscal year ended September 30, 2010, Phase I of the capital improvement project was completed. The capital improvements project is currently in phase II; the District incurred \$398,816 in capital improvements during the fiscal year, which were funded by Series 2010 Promissory Note (see Note 6 for details).

During the fiscal year ended September 30, 2013, the District conveyed approximately \$2.5 million roadway capital assets to the City of Boynton Beach based on Interlocal Agreement. Refer to Note 7 for details.

## NOTE 6 – LONG-TERM LIABILITIES

### Promissory Note, Series 2008

On June 20, 2008 the District entered into a \$1,008,400 loan agreement with a Bank, evidenced by a promissory note with a maturity date of May 1, 2023. The note bears interest at a rate of 4.88% per annum. Interest on this Note is payable in twenty nine (29) semi-annual installments on May 1 and November 1 of each year, commencing May 1, 2010. Principal is payable in fifteen (15) annual installments on May 1 of each year, and commenced May 1, 2010.

This Note is subject to redemption in whole or in part on any date at the option of the District prior to its maturity. The Note established other restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements, a lien on cash accounts to be set up 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. The District is in compliance with those requirements of the Note at September 30, 2014.

**NOTE 6 – LONG-TERM LIABILITIES (Continued)**

**Promissory Note, Series 2010**

On September 17, 2010, the District entered into a \$2,236,719 loan agreement with TD Bank, evidenced by a promissory note with a maturity date of November 1, 2020 with a fixed interest rate of 3.30%. The Note was issued to finance the acquisition and construction of certain capital improvements for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1. Principal on the Note is to be paid serially commencing November 1, 2011 through November 1, 2020.

This Note is subject to redemption in whole or in part on any date at the option of the District prior to its maturity. The Note established other restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements, a lien on cash accounts to be set up 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. The District is in compliance with those requirements of the Note at September 30, 2014.

**Long-term Debt activity**

Changes in long-term liability activity for the fiscal year ended September 30, 2014 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Notes payable:					
Series 2008 Note	\$ 743,539	\$ -	\$ 59,461	\$ 684,078	\$ 62,363
Series 2010 Note	1,860,341	-	206,991	1,653,350	213,821
Total	<u>\$ 2,603,880</u>	<u>\$ -</u>	<u>\$ 266,452</u>	<u>\$ 2,337,428</u>	<u>\$ 276,184</u>

At September 30, 2014, the scheduled debt service requirements on the long-term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2015	\$ 276,184	\$ 84,424	\$ 360,608
2016	286,283	74,209	360,492
2017	296,764	63,608	360,372
2018	307,642	52,606	360,248
2019	318,930	41,189	360,119
2020-2023	851,625	59,539	911,164
Total	<u>\$ 2,337,428</u>	<u>\$ 375,575</u>	<u>\$ 2,713,003</u>

**NOTE 7 – INTERLOCAL AGREEMENT**

In September 2012, the District entered an Interlocal Agreement with the City of Boynton Beach (“the City”) for the dedication and maintenance of roadways and appurtenant facilities located within the District. Prior to the Agreement, the District owned and maintained the roadways and all appurtenant facilities within the District. Per the Agreement, the District will dedicate roadways and appurtenant facilities to the City and will assign all obligations relating to the street lighting within Quantum Park to the City. In addition, maintenance responsibility for the roadways and appurtenant facilities will be transferred to the City. In March 2013, pursuant to the Agreement, the District transferred approximately \$2.5 million of roadway capital assets to the City. The conveyance of additional dedicated property occurred in current fiscal year.

## **NOTE 8 - LITIGATION**

The District has been sued by Olen Properties Corp and Secured Holdings (“Plaintiffs”). Plaintiffs allege that the District and certain Board members violated the City of Boynton Beach, Florida Ordinance 05-061 by adopting a policy “that no permits be issued by the District unless the applicant can evidence approval from the Architectural Review Committee of the Quantum POA”. Plaintiffs allege that the passage of this policy was beyond their powers because it was not expressly permitted in the District’s enabling ordinance. The claims against the District and the Board members are being defended by the District’s insurance carrier. The liability and damages cannot be determined at this time. However, the Plaintiffs are seeking damages in excess of \$20,000,000 due to loss of income and profits, loss of rents, loss of favorable interest rates, loss of use of real property, and loss of development opportunities. The amount of damages alleged would exceed the indemnity limits of the insurance coverage. The District does not believe that a wrongful act was committed and intends to vigorously contest and defend the suit.

The Plaintiffs have also filed a claim under Florida Statutes, Section 70.001, the Bert J. Harris Jr., Private Property Rights Act. The claim is based on the same facts and allegations as noted above.

Additionally the District is being represented before the City Commission of the City of Boynton Beach relative to a request by a property owner within the District seeking to have the City Commission either replace the entire Board of District Supervisors or terminate the District. That issue, however, is currently stayed by the City Commission pending the resolution of litigation in the Circuit Court of the Fifteenth Judicial Circuit and for Palm Beach County wherein the District has been named as a defendant.

## **NOTE 9 – MANAGEMENT COMPANY**

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 of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, computer and other administrative costs.

## **NOTE 10 – 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. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

## **NOTE 11 – SUBSEQUENT EVENTS**

Subsequent to year end, Quantum Community Development District (“Quantum”) was dissolved and the remaining assets of \$307,000 were transferred to the District.

**QUANTUM PARK OVERLAY DEPENDENT DISTRICT  
PALM BEACH COUNTY, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Assessments	\$ 723,578	\$ 734,639	\$ 741,486	\$ 6,847
Other revenue	-	173,619	7,927	(165,692)
Interest	480	642	1,526	884
Total revenues	724,058	908,900	750,939	(157,961)
<b>EXPENDITURES</b>				
Current:				
General government	141,921	133,659	161,372	(27,713)
Maintenance and operations	238,000	384,000	187,769	196,231
Debt service				
Principal	273,406	266,452	266,452	-
Interest	90,931	94,261	94,261	-
Capital outlay	-	255,546	393,816	(138,270)
Total expenditures	744,258	1,133,918	1,103,670	30,248
Excess (deficiency) of revenues over (under) expenditures	(20,200)	(225,018)	(352,731)	(127,713)
<b>OTHER FINANCING SOURCES</b>				
Carry forward	10,000	12,000	-	(12,000)
Net change in fund balance	\$ (10,200)	\$ (213,018)	(352,731)	\$ (139,713)
Fund balance - beginning			1,071,039	
Fund balance - ending			\$ 718,308	

See notes to required supplementary information

**QUANTUM PARK OVERLAY DEPENDENT DISTRICT  
PALM BEACH 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. The general fund budget for the fiscal year ended September 30, 2014 was amended to increase revenues by \$184,842 and appropriations by \$389,660. Actual general fund expenditures did not exceed appropriations. The actual general fund expenditures for the current fiscal year were lower than budgeted amounts due primarily to budgeted 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  
Quantum Park Overlay Dependent District  
Palm Beach 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 the major fund of Quantum Park Overlay Dependent District, Palm Beach County, Florida ("District") as of and for the fiscal year ended September 30, 2014, 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 30, 2015.

**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*.

**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 30, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE  
REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY  
RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Board of Supervisors  
Quantum Park Overlay Dependent District  
Palm Beach County, Florida

We have examined Quantum Park Overlay Dependent District, Palm Beach County, Florida's ("District") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2014. Management is responsible for District's compliance with those requirements. Our responsibility is to express an opinion on 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 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 District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2014.

This report 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, management, and the Board of Supervisors of Quantum Park Overlay Dependent District, Palm Beach County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

June 30, 2015



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

To the Board of Supervisors  
Quantum Park Overlay Dependent District  
Palm Beach County, Florida

**Report on the Financial Statements**

We have audited the accompanying basic financial statements of Quantum Park Overlay Dependent District (the "District") as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated June 30, 2015.

**Auditor's Responsibility**

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 State; 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.

**Other Reports and Schedule**

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 Independent Auditor's Report on an examination conducted in accordance with *AICPA 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 30, 2015, should be considered in conjunction with this management letter.

**Purpose of this Letter**

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General for 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 Quantum Park Overlay Dependent District, Palm Beach County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to Quantum Park Overlay Dependent District, Palm Beach 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 30, 2015

## REPORT TO MANAGEMENT

### I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

### II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

### 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, 2013.

2. 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, 2014.

3. 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, 2014.

4. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.

5. 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, 2014 financial audit report.

6. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.

7. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2014. 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.