

**Arlington Ridge  
Community  
Development District**

**FINANCIAL STATEMENTS**

**September 30, 2015**



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**Arlington Ridge Community Development District**  
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**Carr, Riggs & Ingram, LLC**  
Certified Public Accountants  
500 Grand Boulevard  
Suite 210  
Miramar Beach, Florida 32550

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Supervisors  
Arlington Ridge Community Development District  
Leesburg, Florida

(850) 837-3141  
(850) 654-4619 (fax)  
CRLcpa.com

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Arlington Ridge Community Development District (hereinafter referred to as "District"), as of and for the year ended September 30, 2015, 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.

### **Auditors' 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, each major fund, and the aggregate remaining fund information of the District as of September 30, 2015, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, 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 29, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Carly Riggs & Ingram, L.L.C.*

Miramar Beach, Florida  
June 29, 2016



## **Management's Discussion And Analysis**

## Arlington Ridge Community Development District Management's Discussion and Analysis

Our discussion and analysis of the Arlington Ridge Community Development District's financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2015. Please read it in conjunction with the District's financial statements, which begin on page 10.

### FINANCIAL HIGHLIGHTS

- At September 30, 2015 the assets of the District exceeded its liabilities by approximately \$8.8 million.
- On September 30, 2015, Arlington Ridge SPE, LLC (the "SPE") sold land it held since the foreclosure of the debt assessment lien securing the 2006A Bonds ("Bonds") on such land (the "SPE Property"), for the benefit of the District and the Bondholders, to CB Arlington Ridge Landco, LLC (the "Subsequent Landowner"). In accordance with the Tri-party Agreement (see Note 8 to the financial statements), certain funds were remitted to the Operating and Debt Service Funds of the District from the sales proceeds, totaling approximately \$829,000 and \$2.1 million, respectively. In conjunction with the land sale, on September 30, 2015, the District prepaid bond principal totaling \$910,000. Subsequent to year end, the District prepaid an additional \$1,220,000 of bond principal. In addition, in December 2015, the Trustee, at the direction of the Bondholders, canceled \$4,670,000 of Series 2006A Bonds. The bond cancellation is recognized at September 30, 2015, as it was in accordance with the land sale. These bonds were secured by the land which was sold on September 30, 2015.
- During the fiscal year ended September 30, 2015, the District did not make any of its schedule debt service principal assessment payments. The inability of the District to make such payments was from two events: first, while the District foreclosed the assessment lien on the SPE Property in April of 2011 and debt special assessments were no longer owed, the foreclosure of the lien did not affect the principal amount of Bonds allocated to the Property from a financial perspective and interest continued accruing thereon during Fiscal Year 2015, with the write down of the Bonds recognized as of September 30, 2015 when the SPE Property was sold to the Subsequent Landowner. Additionally, a forbearance agreement on certain platted property allowed forbearance of debt assessments on said property which did not expire until March 31, 2016. See Notes 8, 11 and 14 for more information.
- During the year ended September 30, 2015, the District capitalized furniture and fixtures totaling \$25,805 on the accompanying Statement of Net Position.

# Arlington Ridge Community Development District Management's Discussion and Analysis

## USING THE ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities on pages 10 – 11 provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

### ***Reporting the District as a Whole***

Our analysis of the District as a whole begins on page 5. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and related changes during the current year. You can think of the Districts' net position – the difference between assets and liabilities – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors; however, such as changes in the District's assessment base and the condition of the District's infrastructure, to assess the overall health of the District.

### ***Reporting the District's Most Significant Funds***

Our analysis of the District's major funds begins on page 7. The fund financial statements begin on page 12 and provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants. All of the District's funds are governmental fund-types.

- *Governmental funds* – All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

## Arlington Ridge Community Development District Management's Discussion and Analysis

### THE DISTRICT AS A WHOLE

The following table reflects the condensed Statement of Net Position and is compared to the prior year.

<i>September 30,</i>	<b>2015</b>	<b>2014</b>	<b>Change</b>
<b>Assets</b>			
Current and other assets	\$ 4,140,796	\$ 3,429,109	\$ 711,687
Capital assets, net	15,272,868	15,882,036	(609,168)
<b>Total assets</b>	<b>\$ 19,413,664</b>	<b>\$ 19,311,145</b>	<b>\$ 102,519</b>
<b>Liabilities</b>			
Current liabilities	\$ 2,904,233	\$ 2,983,145	\$ (78,912)
Other liabilities	7,665,000	13,235,000	(5,570,000)
<b>Total liabilities</b>	<b>10,569,233</b>	<b>16,218,145</b>	<b>(5,648,912)</b>
<b>Deferred inflows of resources</b>			
Deferred revenue	-	4,091	(4,091)
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>4,091</b>	<b>(4,091)</b>
<b>Net position</b>			
Net investment in capital assets	6,039,424	2,032,747	4,006,677
Restricted for:			
Debt service	1,134,810	-	1,134,810
Capital projects	1,756	1,756	-
Unrestricted	1,668,441	1,054,406	614,035
<b>Total net position</b>	<b>8,844,431</b>	<b>3,088,909</b>	<b>5,755,522</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 19,413,664</b>	<b>\$ 19,311,145</b>	<b>\$ 102,519</b>

For more detailed information, see the accompanying Statement of Net Position.

During the fiscal year ended September 30, 2015, total assets increased and total liabilities decreased by approximately \$103,000 and \$5.6 million, respectively. The increase in assets is primarily due to the receipt of funds from the land sale on September 30, 2015. The decrease in liabilities is primarily due to the prepayment of debt in relation to the outstanding bonds and the cancellation of bonds subsequent to year end but recognized at September 30, 2015, as these bonds were secured by the land that was sold by the SPE on September 30, 2015.

## Arlington Ridge Community Development District Management's Discussion and Analysis

The following schedule compares the Statement of Activities for the current and previous fiscal year.

<i>Year ended September 30,</i>	<b>2015</b>	<b>2014</b>	<b>Change</b>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 1,615,639	\$ 1,701,848	\$ (86,209)
Grants and contributions	861,551	305,975	555,576
General revenues:			
<i>Special item</i> - debt forgiveness	4,670,000	-	4,670,000
Gain on sale of land	2,035,821	-	2,035,821
Interest and other revenues	30,940	24,320	6,620
<b>Total revenues</b>	<b>9,213,951</b>	<b>2,032,143</b>	<b>7,181,808</b>
<b>Expenses:</b>			
General government	396,230	256,415	139,815
Community and recreation	1,950,909	1,504,556	446,353
SPE maintenance and operations	183,545	43,439	140,106
Bad debt	57,385	129,882	(72,497)
Interest	870,360	821,700	48,660
<b>Total expenses</b>	<b>3,458,429</b>	<b>2,755,992</b>	<b>702,437</b>
Change in net assets	5,755,522	(723,849)	6,479,371
Net position, beginning of year	3,088,909	3,812,758	(723,849)
<b>Net position, end of year</b>	<b>\$ 8,844,431</b>	<b>\$ 3,088,909</b>	<b>\$ 5,755,522</b>

For more detailed information, see the accompanying Statement of Activities.

During the fiscal year ended September 30, 2015, total revenues and expenses increased by approximately \$7.2 million and \$702,000, respectively. The increase in revenues is primarily due to the receipt of funds from the SPE from the land sale on September 30, 2015 and the related cancelation of bonds. The increase in expenses is primarily due to increases in budgeted community and recreation expenses during fiscal year 2015, including deficit funding for the restaurant.

The overall result was a \$5,755,522 increase in net position for fiscal year 2015.

# Arlington Ridge Community Development District Management's Discussion and Analysis

## THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of approximately \$863,000, which is a decrease from last year's balance that totaled \$1.1 million. Significant transactions are discussed below.

- During the fiscal year ended September 30, 2015, the District did not make any of its scheduled debt service payments. In 2009 and 2010, Redus Arlington Ridge FL, LLC (the "Developer") failed to remit to the District the full amount of debt assessments owed on its property. The inability of the District to make such payments was from two events: first, while the District foreclosed the assessment lien on the SPE Property in April of 2011 and debt special assessments were no longer owed, the foreclosure of the lien did not affect the principal amount of Bonds allocated to the Property from a financial perspective and interest continued accruing thereon during Fiscal Year 2016, with the write down of the Bonds recognized as of September 30, 2015 when the SPE Property was sold to the Subsequent Landowner. Additionally, a forbearance agreement on certain platted property allowed forbearance of debt assessments on said property which did not expire until March 31, 2016. As a result, the District has accrued a fund-level debt service obligation totaling approximately \$2.5 million. The District and Trustee acknowledge the payment of assessments on platted lots not subject to the forbearance and were applied against the principal and interest owed on those lots. See Notes 8, 11 and 14 to the financial statements for more information.
- On September 30, 2015, the SPE sold land it held since 2011, for the benefit of the District and the Bondholders, to the Subsequent Landowner. In accordance with the Tri-party Agreement (see Note 8 to the financial statements), certain funds were remitted to the Operating and Debt Service Funds of the District from the sales proceeds, totaling approximately \$829,000 and \$2.1 million, respectively. In conjunction with the land sale, on September 30, 2015, the District prepaid principal on the Bonds outstanding totaling \$910,000. Subsequent to year end, the District prepaid an additional \$1,220,000 of principal on the outstanding Bonds. In addition, in December 2015, the Trustee, at the direction of the Bondholder, canceled \$4,670,000 of Bonds. The bond cancellation is recognized at September 30, 2015, as it was in accordance with the land sale. The Bonds were secured in part by the land which was sold on September 30, 2015.

The overall decrease in fund balance for the year ended September 30, 2015 totaled approximately \$189,000.

## GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS

An Operating budget was established by the governing board for the District pursuant to the requirements of Florida Statutes. The budget to actual comparison for the general fund, including the original budget and final adopted budget, is shown at page 30.

## Arlington Ridge Community Development District Management's Discussion and Analysis

The District experienced favorable variances in revenues, expenditure and transfer in compared to the budget in the amount of \$559, \$34,582 and \$50,000, respectively. The variance in expenditures occurred due to anticipated budgeted community and recreation expenditures that were not incurred during the year. The variance in transfer in is primarily due to funds received as a result of the SPE land sale (see Note 5 to the financial statements).

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### **Capital Assets**

At September 30, 2015, the District had approximately \$15.3 million invested in capital assets (net of accumulated depreciation). This amount represents a net decrease of approximately \$609,000 from the fiscal year 2014 total. A listing of capital assets by major category for the current and prior year follows:

<i>September 30,</i>	<b>2015</b>	<b>2014</b>	<b>Change</b>
Land and land improvements	\$ 4,135,000	\$ 4,135,000	\$ -
Capital assets being depreciated	16,911,345	16,885,540	25,805
Total, prior to depreciation	21,046,345	21,020,540	25,805
Accumulated depreciation	(5,773,477)	(5,138,504)	(634,973)
Net capital assets	\$ 15,272,868	\$ 15,882,036	\$ (609,168)

More information about the District's capital assets is presented in Note 4 to the financial statements.

#### **Debt**

At September 30, 2015, the District had approximately \$9.4 million of bonds outstanding. This amount decreased by \$5,580,000 from the fiscal year 2014 total.

A listing of debt amounts outstanding for the current and prior year is as follows:

<i>September 30,</i>	<b>2015</b>	<b>2014</b>	<b>Change</b>
Series 2006 A Bonds	\$ 9,360,000	\$ 14,940,000	\$ (5,580,000)
	\$ 9,360,000	\$ 14,940,000	\$ (5,580,000)

More information about the District's long-term debt is presented in Note 5 to the financial statements.

# Arlington Ridge Community Development District Management's Discussion and Analysis

## **FUTURE FINANCIAL FACTORS**

Arlington Ridge Community Development District is an independent special district that operates under the provisions of Chapter 190, Florida Statutes. The District operates under an elected Board of Supervisors, which establishes policy and sets operation and maintenance assessment rates based on the adopted fiscal year budget. Assessment rates for fiscal year 2016 were established to provide for the operations of the District.

As discussed in Note 8 to the financial statements, on September 30, 2015, the SPE sold land it held since 2011, for the benefit of the District and the Bondholder, to the Subsequent Landowner. In December 2015, the Trustee, at the direction of the Bondholder, canceled \$4,670,000 of Series 2006A Bonds, which Bonds were secured by the land sold by the SPE after the foreclosure. The bond cancellation is recognized at September 30, 2015, as it was in accordance with the land sale. The assessment lien had already been extinguished through the foreclosure process.

Also, as discussed in Note 11 to the financial statements, during fiscal year 2014, the Subsequent Landowner purchased the golf course, 75 townhome lots and 355 detached home lots from the former landowner and entered into a forbearance agreement with the trustee, with the consent of the bondholder, and which the District acknowledged and consented to. The forbearance agreement terminated on March 31, 2016, and until this date, the District was directed to not collect or certify for collection debt service assessments related to the Forbearance Property, nor seek any remedy against the Forbearance Property related to past due debt service assessments. See Note 11 to the financial statements for more information on the forbearance agreement.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances. If you have questions about this report or need additional financial information, contact the Arlington Ridge Community Development District's finance department at 3434 Colwell Avenue, Suite 200, Tampa, Florida 33614.



## **Basic Financial Statements**

**Arlington Ridge Community Development District  
Statement of Net Position**

<i>September 30,</i>	<b>2015</b>
	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 3,333,077
Accounts receivable	61,713
Mortgage receivable	685,000
Inventory	9,734
Prepaid expenses	51,272
Capital assets:	
Not being depreciated	4,135,000
Depreciable, net	11,137,868
Total assets	19,413,664
<b>Liabilities</b>	
Accounts payable	36,038
Accrued expenses	29,974
Accrued interest payable	1,143,221
Non-current liabilities:	
Due within one year	1,695,000
Due in more than one year	7,665,000
Total liabilities	10,569,233
<b>Net position</b>	
Net investment in capital assets	6,039,424
Restricted for:	
Capital projects	1,756
Debt service	1,134,810
Unrestricted	1,668,441
Total net position	\$ 8,844,431

*The accompanying notes are an integral part of these financial statements.*

## Arlington Ridge Community Development District Statement of Activities

Year ended September 30,

2015

Functions/Programs	Expenses	<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ (396,230)	\$ 269,778	\$ -	\$ -	\$ (126,452)
Community and recreation	(1,950,909)	895,970	-	-	(1,054,939)
SPE maintenance and operations	(183,545)	-	-	116,630	(66,915)
Bad debt	(57,385)	-	-	-	(57,385)
Interest	(870,360)	449,891	744,921	-	324,452
<b>Total governmental activities</b>	<b>\$(3,458,429)</b>	<b>\$1,615,639</b>	<b>\$ 744,921</b>	<b>\$ 116,630</b>	<b>(981,239)</b>

### General revenues and special items

<i>Special item</i> - debt write off	4,670,000
Gain on sale of land	2,035,821
Interest and other revenues	30,940
<b>Total general revenues</b>	<b>6,736,761</b>
Change in net position	5,755,522
Net position - beginning of year	3,088,909
<b>Net position - end of year</b>	<b>\$ 8,844,431</b>

*The accompanying notes are an integral part of these financial statements.*

## Arlington Ridge Community Development District Balance Sheet – Governmental Funds

September 30,

2015

	Special Purpose				Total Governmental Funds
	General	Entity	Debt Service	Non-major	
<b>Assets</b>					
Cash and cash equivalents	\$ 969,243	\$ 1,350	\$ 2,360,728	\$ 1,756	\$ 3,333,077
Accounts receivable	17,429	-	43,859	-	61,288
Deposits receivable	425	-	-	-	425
Mortgage receivable	685,000	-	-	-	685,000
Inventory	9,734	-	-	-	9,734
Prepaid expenditures	50,716	556	-	-	51,272
<b>Total assets</b>	<b>\$ 1,732,547</b>	<b>\$ 1,906</b>	<b>\$ 2,404,587</b>	<b>\$ 1,756</b>	<b>\$ 4,140,796</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 32,283	\$ 3,755	\$ -	\$ -	\$ 36,038
Accrued expenditures	29,974	-	-	-	29,974
Debt service obligation	-	-	2,526,700	-	2,526,700
<b>Total liabilities</b>	<b>62,257</b>	<b>3,755</b>	<b>2,526,700</b>	<b>-</b>	<b>2,592,712</b>
<b>Deferred inflows of resources</b>					
Deferred land sale proceeds	685,000	-	-	-	685,000
<b>Total deferred inflows of resources</b>	<b>685,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>685,000</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>747,257</b>	<b>3,755</b>	<b>2,526,700</b>	<b>-</b>	<b>3,277,712</b>
<b>Fund balances</b>					
Nonspendable	60,450	556	-	-	61,006
Restricted for capital projects	-	-	-	1,756	1,756
Committed for common area	67,316	-	-	-	67,316
Unassigned	857,524	(2,405)	(122,113)	-	733,006
<b>Total fund balances (deficit)</b>	<b>985,290</b>	<b>(1,849)</b>	<b>(122,113)</b>	<b>1,756</b>	<b>863,084</b>
<b>Total liabilities, deferred inflows of resources and fund balances (deficit)</b>	<b>\$ 1,732,547</b>	<b>\$ 1,906</b>	<b>\$ 2,404,587</b>	<b>\$ 1,756</b>	<b>\$ 4,140,796</b>

*The accompanying notes are an integral part of these financial statements.*

**Arlington Ridge Community Development District  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of  
Net Position**

<i>September 30,</i>	<b>2015</b>
Total fund balances, governmental funds	\$ 863,084
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund level statements.	15,272,868
Proceeds from the sale of land not available as a current financial resource are considered deferred inflows of resources on the fund level financial statements but are recognized as revenue in the Statement of Activities.	685,000
Liabilities not due and payable from current resources, including accrued interest, are not reported in the fund level statements.	(7,976,521)
<b>Total net position - governmental activities</b>	<b>\$ 8,844,431</b>

*The accompanying notes are an integral part of these financial statements.*

**Arlington Ridge Community Development District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds**

Year ended September 30,

2015

	General	Special Purpose Entity	Debt Service	Non-major	Total Governmental Funds
<b>Revenues</b>					
Assessments	\$ 1,165,748	\$ -	\$ 449,891	\$ -	\$ 1,615,639
Assessment prepayments	-	-	744,682	-	744,682
Bondholder contributions	-	116,630	-	-	116,630
Interest and other revenues	25,565	5,375	239	-	31,179
Total revenues	1,191,313	122,005	1,194,812	-	2,508,130
<b>Expenditures</b>					
Current:					
General government	270,683	-	138,169	-	408,852
Community and recreation	1,303,314	-	-	-	1,303,314
SPE maintenance and operations	-	183,545	-	-	183,545
Debt service:					
Principal	-	-	1,235,000	-	1,235,000
Interest	-	-	891,214	-	891,214
Capital outlay	25,805	-	-	-	25,805
Total expenditures	1,599,802	183,545	2,264,383	-	4,047,730
Excess (deficit) of revenues over expenditures	(408,489)	(61,540)	(1,069,571)	-	(1,539,600)
<b>Other Financing Sources (Uses)</b>					
Gain on sale of land	-	1,350,821	-	-	1,350,821
Transfer in	143,900	-	2,100,393	-	2,244,293
Transfer out	-	(2,244,293)	-	-	(2,244,293)
Total other financing sources (uses)	143,900	(893,472)	2,100,393	-	1,350,821
Net change in fund balances	(264,589)	(955,012)	1,030,822	-	(188,779)
Fund balances (deficit), beginning of year	1,249,879	953,163	(1,152,935)	1,756	1,051,863
Fund balances (deficit), end of year	\$ 985,290	\$ (1,849)	\$ (122,113)	\$ 1,756	\$ 863,084

*The accompanying notes are an integral part of these financial statements.*

**Arlington Ridge Community Development District  
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund  
Balances of Governmental Funds to the Statement of Activities**

<i>Year ended September 30,</i>	<b>2015</b>
Net change in fund balances - governmental funds	\$ (188,779)
Capital outlay, reported as expenditures in the governmental funds, is shown as capital assets on the Statement of Net Position.	25,805
Depreciation on capital assets is not recognized in the fund financial statements but is reported as an expense in the Statement of Activities.	(634,973)
Governmental fund financial statements report principal payments on bonds when debt is due, even if certain amounts have not been paid, whereas these amounts do not affect the Statement of Activities.	1,235,000
Proceeds from the sale of land not available as a current financial resource are considered deferred inflows of resources on the fund level financial statements but are recognized as revenue in the Statement of Activities.	685,000
Certain receivable amounts deemed uncollectible in the current year are charged to bad debt expense on the Statement of Net Position, but these amounts were not recognized on the fund level financial statements in the prior years because they were not identified as measurable and available.	(57,385)
The change in accrued interest between the current and prior year is recorded on the Statement of Activities but not on the fund financial statements.	20,854
The cancelation of liabilities not due and payable from current resources is not reported in the fund level statement	4,670,000
<b>Change in net position of governmental activities</b>	<b>\$ 5,755,522</b>

*The accompanying notes are an integral part of these financial statements.*

## Arlington Ridge Community Development District Notes to Financial Statements

### NOTE 1: NATURE OF ORGANIZATION

The Arlington Ridge Community Development District (the "District") was created on October 13, 2003 by City of Leesburg, Florida Ordinance No. 03-94 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, 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 was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of a portion of the infrastructure necessary for community development within the District.

The District is governed by a Board of Supervisors ("Board"), which is comprised of five members. Four board members are elected in the general election cycle by resident electors and one Board member is a landowner elected seat, which transitioned to a general election seat in November of 2014. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes.

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.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth by Generally Accepted Accounting Principles (GAAP) as defined by the Governmental Accounting Standards Board (GASB) in Statements No. 14 and No. 61. The District is financially accountable if it appoints a voting majority of the organization's governing body and (a) it is able to impose its will on that organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. The District may be financially accountable if an organization is fiscally dependent on the District regardless of whether the organization has (a) a separately elected governing board, (b) a governing board appointed by a higher level of government, or a jointly appointed board. Based on the foregoing criteria, Arlington Ridge SPE, LLC ("SPE") is considered a blended component unit.

The SPE owns, manages, maintains, and on September 30, 2015 did sell the property foreclosed upon by the District (the "SPE Property") for the benefit of the District and the Bondholder. The SPE is reported as a Special Revenue Fund.

## Arlington Ridge Community Development District Notes to Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to GAAP as applicable to governments in accordance with those promulgated by GASB. The following is a summary of the more significant 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 the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by assessments, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The business-type activities are reported separately in government-wide financial statements; however, at September 30, 2015, the District did not have any significant business-type activities. Therefore, no business-type activities are reported. Assessments and other items not properly included as program revenues (i.e., charges to customers or applicants who purchase, use, or directly benefit from goods or services) are reported as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### ***Measurement Focus, Basis of Accounting and Basis of 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 the related cash flows. Assessments are recognized as revenues in the year for which they are levied. Grants and other 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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

## Arlington Ridge Community Development District Notes to Financial Statements

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

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

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

The District reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in other funds.

Special Purpose Entity Fund – The Special Purpose Entity Fund is a Special Revenue Fund that accounts for the activities of the SPE, a blended component unit of the government. The SPE owned, managed, maintained, and sold the Property for the benefit of the District and the Bondholders on September 30, 2015 (see Note 8).

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 long-term debt for the Series 2006A bonds.

For the year ended September 30, 2015, the District does not report any proprietary funds.

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

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use in the governmental fund financial statements, it is the government's policy to use committed resources first, followed by assigned resources, then unassigned resources as needed.

## Arlington Ridge Community Development District Notes to Financial Statements

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

#### ***Cash, Deposits and Investments***

The District maintains deposits with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. All Qualified Public Depositories must place with the Treasurer of the State of Florida securities in accordance with collateral requirements determined by the State's Chief Financial Officer. In the event of default by a Qualified Public Depository, the State Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories.

Under this method, all the District's deposits are fully insured or collateralized at the highest level of security as defined by GASB, Statement Number 40, *Deposits and Investment Disclosures (An Amendment of GASB, Statement Number 3)*.

The District is authorized to invest in financial instruments as established by Section 218.415, Florida Statutes. The authorized investments include among others negotiable direct or indirect obligations which are secured by the United States Government; the Local Government Surplus Trust Funds as created by Section 218.405, Florida Statutes; SEC registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and interest-bearing time deposits or savings accounts in authorized financial institutions.

#### ***Capital Assets***

Capital assets, which include primarily infrastructure assets (e.g., roads, sidewalks, water management systems and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial/individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost and estimated historical cost if purchased or constructed. Donated 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 asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government are depreciated using the straight-line method over the estimated useful lives. Estimated useful lives for financial reporting purposes are as follows: furniture, fixtures and equipment: 5 years; building equipment: 15 years; irrigation, lighting, security: 20 years; recreation, community, roadways and water systems: 30 years.

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.

## Arlington Ridge Community Development District Notes to Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 using the straight-line or effective interest method. Bonds payable are reported net of these premiums or discounts. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current period expenses.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the 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***

In addition to assets, the Statement of Net Position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any of this type of item at September 30, 2015.

In addition to liabilities, the Statement of Net Position or Balance Sheet – Governmental Funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or revenue that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At September 30, 2015, the District has one item, deferred land sale proceeds, which qualifies for reporting in this category.

#### ***Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### ***Fund Equity***

Net position in the government-wide financial statements represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents assets related to infrastructure and property, plant and equipment, net of any related debt. Restricted net position represents the assets restricted by the District's bond covenants.

## Arlington Ridge Community Development District Notes to Financial Statements

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

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the District board through approval of resolutions. Assigned fund balance is a limitation imposed by a designee of the District board. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes.

#### ***Budgets***

The District is required to establish a budgetary system and an approved annual budget. Annual budgets are legally adopted on a basis consistent with GAAP for the General Fund. Any revision to the budget must be approved by the District Board, subject to the terms of the District's appropriation resolution. The budgets are compared to actual expenditures. In instances where budget appropriations and estimated revenues have been revised during the year, budget data presented in the financial statements represent final authorization amounts.

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. 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 terms of the District's appropriation resolution.
- E. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

### NOTE 3: NOTE RECEIVABLE

In conjunction with the SPE land sale (see Note 5), the District obtained a mortgage secured by land owned by the Subsequent Landowner, in an amount of \$685,000. Interest accrues at 4% annually and interest payments of at least \$6,850 are due quarterly, on the fifth day of each calendar quarter, beginning January 5, 2016 as is outlined in the SPE land sale agreement between the District and Subsequent Landowner. The note matures on October 1, 2020; however, the payoff date is expected to be sooner as the Subsequent Landowner has remitted more than expected, based on a higher rate of lot closings than expected.

## Arlington Ridge Community Development District Notes to Financial Statements

### NOTE 4: CAPITAL ASSETS

The following is a summary of changes in the capital assets for the year ended September 30, 2015:

	Beginning Balance	Additions	Disposals	Ending Balance
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated</i>				
Land and land improvements	\$ 4,135,000	\$ -	\$ -	\$ 4,135,000
<b>Total capital assets, not being depreciated</b>	<b>4,135,000</b>	<b>-</b>	<b>-</b>	<b>4,135,000</b>
<i>Capital assets being depreciated</i>				
Furniture, fixtures and equipment	134,539	25,805	-	160,344
Building and maintenance equipment	25,337	-	-	25,337
Recreational facilities and community buildings	9,320,647	-	-	9,320,647
Roadways	1,719,177	-	-	1,719,177
Irrigation, lighting, security and other	2,634,818	-	-	2,634,818
Water management systems	3,051,022	-	-	3,051,022
<b>Total capital assets, being depreciated</b>	<b>16,885,540</b>	<b>25,805</b>	<b>-</b>	<b>16,911,345</b>
<i>Less accumulated depreciation</i>				
Furniture, fixtures and equipment	41,770	22,991	-	64,761
Building and maintenance equipment	14,361	1,689	-	16,050
Recreational facilities and community buildings	2,611,786	319,452	-	2,931,238
Roadways	486,341	57,399	-	543,740
Irrigation, lighting, security and other	1,119,794	131,741	-	1,251,535
Water management systems	864,452	101,701	-	966,153
<b>Total accumulated depreciation</b>	<b>5,138,504</b>	<b>634,973</b>	<b>-</b>	<b>5,773,477</b>
<b>Governmental activities capital assets, net</b>	<b>\$15,882,036</b>	<b>\$ (609,168)</b>	<b>\$ -</b>	<b>\$15,272,868</b>

Depreciation expense of \$634,973 was allocated to community and recreation on the accompanying Statement of Activities.

### NOTE 5: BONDS PAYABLE

On March 9, 2006, the District issued \$15,965,000 of Special Assessment Bonds, Series 2006A with a fixed interest rate of 5.5%. The Bonds were issued to finance the acquisition and construction of certain improvements that support community development. Interest is paid semiannually on each May 1 and November 1. Principal on the Series 2006A Bonds is paid serially commencing on May 1, 2007 through May 1, 2036.

## Arlington Ridge Community Development District Notes to Financial Statements

### NOTE 5: BONDS PAYABLE (Continued)

The Series 2006A Bonds are subject to redemption at the option of the District prior to their maturity. The Bonds are subject to extraordinary mandatory redemption prior to their selected 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 agreed to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The requirements have not been met for the fiscal year ended September 30, 2015.

The District did not receive a majority of fiscal year 2009 and 2010 debt service assessment amounts due from the Developer, and as a result, the District diligently pursued a foreclosure suit against the Property and a final judgment was ordered by the Court in April 2011. This unpaid receivable totaled approximately \$1.6 million, and was written off due to the foreclosure sale which occurred in fiscal year 2011. At the bondholder's direction, the District created an SPE to take title to the Property, which property secured a portion of the 2006A Bonds. The SPE held the property for the benefit of the District and the Bondholder. Foreclosure of the assessment lien on the Property did not affect the principal amount of Bonds allocated to that property from a financial perspective and the interest continued to accrue thereon until final sale of the property. However, there were no debt special assessments (for principal or interest) due from or on that property and the amount of total principal and interest to be paid on behalf of the Property was determined at the time of the Property's sale from the SPE. On September 30, 2015, the SPE sold the SPE Property to the Subsequent Landowner, the proceeds from which were distributed pursuant to the Tri-Party Agreement. The SPE sold the Property for \$3 million and recognized a gain on the sale of approximately \$2 million, which is reported as Gain on the sale of land on the accompanying Statement of Activities. A portion of the proceeds, \$685,000, was received in the form of a mortgage receivable and accordingly is deferred on the fund level statements, resulting in a gain of approximately \$1.4 million on the accompanying Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds.

Due to the foreclosure and continued accrual of principal and interest on the Bonds from the SPE Property through the Fiscal Year 2016 and the forbearance agreement as discussed in Note 11, the District has not been able to make its semi-annual debt service principal and interest payments. During fiscal year 2015, the District made default distributions to the trustee equal to the amount of the past due fiscal year 2014 interest payments. Accordingly, a debt service obligation totaling approximately \$2.5 million has been recorded on the accompanying Balance Sheet – Governmental Funds (see Note 11).

## Arlington Ridge Community Development District Notes to Financial Statements

### NOTE 5: BONDS PAYABLE (Continued)

In conjunction with the land sale, on September 30, 2015, the District prepaid bond principal outstanding totaling \$910,000. Subsequent to year end, the District prepaid an additional \$1,480,000 of bond principal.

As a result of the sale, in December 2015, the Trustee, at the direction of the Bondholders, canceled \$4,670,000 of Series 2006A Bonds, which were secured by the land sold by the SPE. This amount is reported at September 30, 2015 as *Special item* - debt write off on the accompanying Statement of Activities.

Long-term liability activity for the year ended September 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities</i>					
Bonds Payable:					
Series 2006 A	\$ 14,940,000	\$ -	\$ (5,580,000)	\$ 9,360,000	\$ 1,695,000
	\$ 14,940,000	\$ -	\$ (5,580,000)	\$ 9,360,000	\$ 1,695,000

At September 30, 2015, the scheduled debt service requirements on long-term debt were as follows:

<i>Year Ending September 30,</i>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2016	\$ 1,695,000	\$ 662,658	\$ 2,357,658
2017	215,000	421,575	636,575
2018	230,000	409,750	639,750
2019	240,000	397,100	637,100
2020	255,000	383,900	638,900
2021 - 2025	1,510,000	1,692,350	3,202,350
2026 - 2030	1,990,000	1,227,600	3,217,600
2031 - 2035	2,610,000	615,450	3,225,450
2036	615,000	33,825	648,825
	\$ 9,360,000	\$ 5,844,208	\$ 15,204,208

## Arlington Ridge Community Development District Notes to Financial Statements

### **NOTE 6: 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 maintains commercial insurance coverage to mitigate the risk of loss. Coverage may not extend to all situations. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. The District has not filed any claims under this commercial coverage during the last three years.

### **NOTE 7: 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 (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 costs.

### **NOTE 8: TRI-PARTY AGREEMENT**

The District diligently pursued a foreclosure suit against the SPE Property and a final judgment was ordered by the Court in April 2011. At the bondholder's direction, the District created an SPE to take title to the SPE Property, which property secured a portion of the 2006A Bonds. The SPE held the SPE Property for the benefit of the District and the Bondholder. Foreclosure of the assessment lien on the SPE Property did not affect the principal amount of Bonds allocated to that property from a financial perspective and the interest continued to accrue thereon until ultimate sale. However, there were no debt special assessments (for principal or interest) due from or on that property and the amount of total principal and interest to be paid on behalf of the SPE Property was determined at the time of the SPE Property sale. As discussed in Note 5, on September 30, 2015, the SPE sold the SPE Property to the Subsequent Landowner, the proceeds from which were distributed pursuant to the Tri-Party Agreement.

The District, the Trustee and the SPE (the "Parties") entered into a Tri-Party Agreement (the "Agreement") on July 18, 2011. Pursuant to the Agreement, the SPE agreed to own, maintain, sell and/or dispose of the SPE Property for the benefit of the District, who, in turn, acts for the benefit of the Bondholder in relation to the maintenance and disposal of such property. The Parties acknowledged that the sole source of funds necessary to operate the SPE would be provided by the Bondholder through the Trustee. The Trustee, on behalf of the Bondholder, was required to cause to be paid to the District annually the sum of \$300 per lot owned by the SPE ("Partial Annual Assessment"). The Partial Annual Assessment was required to be paid in accordance with the direct collection schedule as set forth in the District's annual assessment resolution, as adopted by the Board of Supervisors.

## Arlington Ridge Community Development District Notes to Financial Statements

### NOTE 8: TRI-PARTY AGREEMENT (Continued)

The Parties acknowledged that the District would not seek to enforce collection of any additional portions of each ensuing fiscal year's annual operations and maintenance assessments allocated to the Property that were not covered by the Partial Annual Assessments until the Property was sold. However, such assessments ("Accreted O&M Assessments") accreted on a monthly basis in an amount equal to 1/12 of the total annual allocable operations and maintenance assessments on the Property as determined and adopted annually by the Board, minus the Partial Annual Assessments paid, from October 1, 2011 until sale of the Property. Proceeds from the sale of the Property were to be distributed to the Bondholder and the District pro rata based upon the principal bond debt and any Accreted O&M Assessments assigned to such parcels at the time of sale. However, if the sale proceeds, once applied pro rata, were sufficient to fully satisfy the principal bond debt assigned to the parcels at the time of the sale, the remaining proceeds shall be paid 50% to the District and 50% to the Bondholders. The District estimated accreted operations and maintenance assessments total approximately \$1.5 million as of September 30, 2015. The estimated accreted assessments for the fiscal year ending September 30, 2015 is \$406,750 on the SPE Property, in accordance with the Agreement and the District's annual assessment resolution, and the District elected not to seek to enforce collection of these Accreted O&M Assessments. In conjunction with the SPE Property sale agreement, all of the Accreted O&M Assessments accreted as of September 30, 2015 were written off and not collected by the District.

The District depended on the Partial Annual Assessment payments to fund a portion of the SPE's total annual operations and maintenance assessment assigned to the SPE Property. The Trustee agreed that it would use available amounts on deposit in the funds and accounts comprising the Trust Estate (including any proceeds received from the sale of all or a portion of the Property) to pay the Partial Annual Assessment and taxes. Pursuant to the Tri-Party Agreement, if funding from the Trustee ceased or otherwise became delinquent for a period of 90 days, the Trustee would relinquish all rights, title and interest to the SPE Property as well as all rights, title and interest to the unpaid bond principal and interest on the SPE Property, and would have no further obligation to fund the operations and maintenance obligations of the SPE Property. During the year ended September 30, 2014, the Trustee became delinquent on a quarterly payment. In consideration for not enforcing the District's rights under the Tri-Party Agreement to take title to the SPE Property, the Trustee and SPE agreed, among other things, to deed the RV lot parcel to the District; notify the District and allow participation by the District in review of any purchase and sale agreement for the SPE Property; maintain the SPE Property up to industry standards; work diligently to remove any qualifications from the audit as expeditiously as possible; and work to true up the outstanding principal and interest from the SPE Property so that the District would not have a continuing event of default upon the property sale. The RV Lot was deeded to the District on September 30, 2015.

Pursuant to the Agreement, during the current fiscal year the Bondholders contributed \$116,630 to fund the SPE's activities. The SPE remitted \$93,900 of Annual O&M Assessments to the District in accordance with the related resolution adopted by the Board of Supervisors.

## Arlington Ridge Community Development District Notes to Financial Statements

### NOTE 9: CONCENTRATION

During the year ended September 30, 2015, the District directly assessed the Subsequent Landowner \$334,183 for operations and maintenance. In addition, the Subsequent Landowner was assessed \$119,964 and \$77,100 for operations and maintenance and debt service, respectively, through the county tax roll. Revenues from the Subsequent Landowner totaled \$646,018, which is approximately 26% of total revenues on the fund financial statements.

### NOTE 10: INTERFUND TRANSFERS

Interfund transfers during the fiscal year ended September 30, 2015 were as follows:

<i>Funds</i>	Interfund	
	Transfers in	Transfers out
Major Funds:		
General	\$ 828,900	\$ -
Special Purpose Entity	-	2,929,293
Debt Service	2,100,393	-
<b>Total</b>	<b>\$ 2,929,293</b>	<b>\$ 2,929,293</b>

Included in transfers out from the SPE is \$93,900 which was transferred to the General Fund in accordance with the Bond Indenture to fund the general government operations of the District. The remaining transfer of approximately \$2.8 million resulted from the sale of land from the SPE to the Subsequent Landowner on September 30, 2015. The funds were transferred to the District's General and Debt Service Funds according to the Tri-party Agreement (see Note 8).

### NOTE 11: FORBEARANCE AGREEMENT

In December 2013, the Subsequent Landowner purchased the golf course, 75 townhome lots and 355 detached home lots from the Developer (henceforth referred to as the "Forbearance Property"). On December 20, 2013, a Forbearance Agreement was executed between the trustee and the Subsequent Landowner, with the consent of the bondholder. Although not a party to the agreement, the District acknowledged and consented to the Forbearance Agreement. The Forbearance Agreement terminated on March 31, 2016 (the "Forbearance Termination Date"). Until the Forbearance Termination Date, the District was directed to not certify debt service assessments related to the Forbearance Property for collection, nor seek any remedy against the Forbearance Property related to past due debt service assessments. The Subsequent Landowner was required to pay all forborne debt assessments by the Forbearance Termination Date. During the forbearance term, it was understood by all parties to the agreement, and the bondholder, that while the debt service assessments were forborne until the Forbearance Termination Date, the

## Arlington Ridge Community Development District Notes to Financial Statements

### **NOTE 11: FORBEARANCE AGREEMENT**

scheduled debt service principal and interest payments on the Series 2006A Bonds were not forborne or otherwise forgiven; thus the District, at fiscal year ended September 30, 2015, was still in default under the Bond Indenture until such time as all past due principal and interest payments were made under the Forbearance Agreement. Subsequent to year end, in March 2016, the District received debt service assessments for the Forbearance Property totaling approximately \$779,000 for fiscal years 2014 through 2016, satisfying the terms of the Forbearance Agreement. See Note 14.

### **NOTE 12: O&M PAYMENT AGREEMENT**

In December of 2013, the District entered into an Operations and Maintenance Payment Agreement with the Subsequent Landowner where by the District agreed it would directly bill and collect certain operation and maintenance assessments ("O&M Assessment(s)") on therein specified lots owned by the Subsequent Landowner and would enter, and did enter, into a lease agreement with the Subsequent Landowner in an annual amount equal to the O&M Assessment levied on the golf course in consideration for use of certain storage facilities and space by the District on golf course property. The terms of the Operation and Maintenance Agreement has been met. The agreement is expected to expire at the end of fiscal year 2017/2018 unless terminated pursuant to its terms.

### **NOTE 13: SETTLEMENT AGREEMENT**

On or around August of 2014, the District entered into a settlement agreement with the trustee when the trustee failed to remit its quarterly payment due pursuant to the Tri-Party Agreement (see Note 8 for more information on the Tri-Party Agreement). The settlement agreement terms have been met with two exceptions at year end: (1) removal of qualifications from the audit, whereby the trustee agrees to work with the District's auditors each year to do what is necessary to satisfy the District's auditors to remove qualifications and emergency financial conditions set forth in the District's audit; and (2) finalize true up of outstanding principal and interest on Bonds upon sale of the SPE property (occurred in December of 2015, but relates back to September 30, 2015). The SPE has not yet been dissolved, the qualifications persist in the audit (but Note 14) and the true up has now been confirmed as of June 15, 2016 but was not confirmed at year end.

### **NOTE 14: SUBSEQUENT EVENT**

On September 30, 2015, in this fiscal year, the SPE sold the Property to the Subsequent Landowner. The write down of the Bonds are recognized as of September 30, 2015. Subsequent to year end, on March 31, 2016, the Forbearance Agreement entered into by the Trustee and the Subsequent Landowner, and acknowledged by the District, that allowed forbearance of debt assessments on the



## Arlington Ridge Community Development District Notes to Financial Statements

### **NOTE 14: SUBSEQUENT EVENT (Continued)**

Forbearance Property (as defined in Note 11) within the District expired, and the terms of said agreement satisfied. As a result, and pursuant to confirmation contained in a letter received by the District from the Trustee, all events of default are remedied as of June 15, 2016 and the Bonds are no longer in default under the Indenture.



**Required Supplemental Information  
(Other Than MD&A)**

## Arlington Ridge Community Development District Budget to Actual Comparison Schedule – General Fund

Year ended September 30,

2015

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<b>Revenues</b>				
Assessments	\$ 1,029,326	\$ 1,165,748	\$ 1,165,748	\$ -
Interest and other revenues	16,500	25,006	25,565	559
<b>Total revenues</b>	<b>1,045,826</b>	<b>1,190,754</b>	<b>1,191,313</b>	<b>559</b>
<b>Expenditures</b>				
General government	164,005	281,712	270,683	11,029
Community and recreation	950,721	1,323,172	1,303,314	19,858
Capital outlay	25,000	29,500	25,805	3,695
<b>Total expenditures</b>	<b>1,139,726</b>	<b>1,634,384</b>	<b>1,599,802</b>	<b>34,582</b>
Excess (deficit) of revenues over expenditures	(93,900)	(443,630)	(408,489)	35,141
Transfer in	93,900	93,900	143,900	50,000
Fund balance, beginning of year	-	349,730	1,249,879	900,149
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 985,290</b>	<b>\$ 985,290</b>



Carr, Riggs & Ingram, LLC  
Certified Public Accountants  
500 Grand Boulevard  
Suite 210  
Miramar Beach, Florida 32550

(850) 837-3141  
(850) 654-4619 (fax)  
CRlcpa.com

**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  
Arlington Ridge Community Development District  
Leesburg, 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, each major fund, and the aggregate remaining fund information of Arlington Ridge Community Development District (hereinafter referred to as the “District”), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated June 29, 2016.

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

- IC2010-01: The District is not in compliance with certain provisions of its bond indenture including those relating to 1) collecting assessments to provide payment of debt service, 2) maintaining adequate funds in debt service reserve accounts, and 3) making its semi-annual debt service principal and interest payments.

The District's response to the finding identified in our audit is described below. We did not audit the District's response and, accordingly, we express no opinion on it.

- IC2010-01: *The District, Subsequent Landowner, Bondholder and Trustee have continued diligently working together to address this item. The District did in 2011 diligently pursue a foreclosure action against the Property and a final judgment was ordered in April of 2011. This foreclosure proceeding extinguished the assessment lien on the Property. At the bondholder's direction, the District created an SPE to take title to the Property, which Property secured a portion of the 2006A Bonds. Foreclosure of the assessment lien, however, did not in it of itself affect the principal amount of Bonds allocated to the Property from a financial perspective and the interest continued to accrue thereon. Debt assessments are no longer due, however, either in principal or interest on the Property and the Bonds would be written down upon the Property sale, in accordance with the Tri-Party Agreement. On September 30, 2015, in this fiscal year, the SPE sold the Property to the Subsequent Landowner. The write down of the Bonds are recognized as of September 30, 2015. Subsequent to year end, on March 31, 2016, the Forbearance Agreement entered into by the Trustee and the Subsequent Landowner, and acknowledged by the District, that allowed forbearance of debt assessments on the Forbearance Property (as defined in Note 11) within the District expired, and the terms of said agreement satisfied. As a result, and pursuant to confirmation contained in a letter received by the District from the Trustee, all events of default are remedied as of June 15, 2016 and the Bonds are no longer in default under the Indenture. See Note 14: Subsequent Event.*

## **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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Carr, Riggs & Ingram, L.L.C.*

Miramar Beach, Florida  
June 29, 2016

## MANAGEMENT LETTER

To the Board of Supervisors  
Arlington Ridge Community Development District  
Leesburg, Florida

### Report on the Financial Statements

We have audited the financial statements of Arlington Ridge Community Development District ("District") as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated June 29, 2016.

### Auditors' Responsibility

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

### Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant'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 these reports, which are dated June 29, 2016, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Recommendation IC2010-01 was made in the preceding annual audit report and is addressed on page 31. As mentioned in management's response on page 31, the District has taken all actions afforded under the bond indenture and statutory law; however, the finding is still applicable in the current year. Recommendation IC2010-01 was also made in the second preceding annual audit report.

## **Official Title and Legal Authority**

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The information required is disclosed in the notes to the financial statements.

## **Financial Condition**

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In the absence of available funds, the scheduled debt service principal payments due since May 1, 2010 and certain scheduled debt service interest payments due since November 1, 2012 have not been paid as of the date of this report, although during fiscal years 2014 and 2015, the District made default distributions to the trustee equal to the amount of the past due fiscal year 2013 and 2014 interest payments, respectively. On September 30, 2015, the SPE sold the Property to the Subsequent Landowner, the proceeds from which were distributed pursuant to the Tri-Party Agreement. In conjunction with the land sale, on September 30, 2015, the District prepaid principal on the Bonds totaling \$910,000. Subsequent to year end, the District prepaid an additional \$1,480,000 of principal on the Bonds. As a result of the sale, in December 2015, the Trustee, at the direction of the Bondholders, canceled \$4,670,000 of Series 2006A Bonds, which were attached to the land sold by the SPE. The financial emergency conditions met were a result of deteriorating financial conditions. Such deteriorating financial conditions are further discussed below. However, as of June 15, 2016, those conditions have improved. See Note 14 and the District's response to these findings on page 31.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures and as a result, it was determined that a deteriorating financial condition exists with respect to the District. As discussed in the previous paragraph, in the absence of available funds, the District has not made its scheduled debt service principal payments due since May 1, 2010 and certain scheduled debt service interest payments due since November 1, 2012 have not been paid as of the date of this report. During the year ended September 30, 2015, the SPE sold certain property to the Subsequent Landowner; however, the debt service assessments on other property purchased by the Subsequent Landowner in 2013 (the Forbearance Property) were forborne until March 31, 2016, and accordingly the related bond payments were not made as of September 30, 2015, resulting in a continued event of default. However, such event of default was remedied as of the date of this report. See Note 14 and page 31. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

## **Annual Financial Report**

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

## **Other Matters**

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

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

## **Purpose of this Letter**

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

*Cary Riggs & Ingram, L.L.C.*

Miramar Beach, Florida  
June 29, 2016



Carr, Riggs & Ingram, LLC  
Certified Public Accountants  
500 Grand Boulevard  
Suite 210  
Miramar Beach, Florida 32550

(850) 837-3141  
(850) 654-4619 (fax)  
CRlcpa.com

## INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Supervisors  
Arlington Ridge Community Development District  
Leesburg, Florida

We have examined Arlington Ridge Community Development District's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2015. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the 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 the 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 the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

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

*Carr, Riggs & Ingram, L.L.C.*

Miramar Beach, Florida  
June 29, 2016