

**PALM BAY
COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2014**

**PALM BAY COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Palm Bay Community Development District, Hillsborough 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, the business-type activities and each major fund of the District as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows 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 March 31, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

We have also issued our report dated March 31, 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.

March 31, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Palm Bay Community Development District, Hillsborough 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 \$1,069,944.
- The change in the District's total net position in comparison with the prior fiscal year was \$60,837, an increase. 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 \$94,000, a decrease of (\$15,670) in comparison with the prior fiscal year. The total fund balance is unassigned 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, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual amount being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the District that are principally supported by assessments (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general government and maintenance and operations. The business-type activities of the District include a water and sewer operation.

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. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Governmental Funds

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

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

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

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

Proprietary Fund

The District maintains one type of proprietary fund, an enterprise fund. An enterprise fund is used to report the same function presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for the operations of the water and sewer utilities within the District.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	NET POSITION SEPTEMBER 30,					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 99,569	\$ 125,931	\$ 72,396	\$ 32,184	\$ 171,965	\$ 158,115
Capital assets, net of depreciation	919,791	937,460	48	8,278	919,839	945,738
Total assets	1,019,360	1,063,391	72,444	40,462	1,091,804	1,103,853
Current liabilities	5,569	17,636	16,291	17,110	21,860	34,746
Long-term liabilities	-	60,000	-	-	-	60,000
Total liabilities	5,569	77,636	16,291	17,110	21,860	94,746
Net position						
Net investment in capital assets	919,791	877,460	48	8,278	919,839	885,738
Restricted	-	66,567	-	-	-	66,567
Unrestricted	94,000	41,728	56,105	15,074	150,105	56,802
Total net position	\$ 1,013,791	\$ 985,755	\$ 56,153	\$ 23,352	\$ 1,069,944	\$ 1,009,107

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.

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 increased during the most recent fiscal year. The majority of the increase represents the extent to which ongoing program revenues exceeded the cost of operations and depreciation expense.

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

	CHANGES IN NET POSITION FOR THE FISCAL YEAR END SEPTEMBER 30,					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues						
Charges for services	\$ 160,838	\$ 173,716	\$ 158,390	\$ 146,128	\$ 319,228	\$ 319,844
General revenues						
Unrestricted investment earnings	98	111	17	10	115	121
Gain on sale of assets	-	43,611	-	-	-	43,611
Miscellaneous	-	56	-	-	-	56
Total revenues	160,936	217,494	158,407	146,138	319,343	363,632
Expenses:						
General government	51,176	64,210	-	-	51,176	64,210
Maintenance and operations	79,798	70,926	-	-	79,798	70,926
Water and sewer	-	-	125,606	136,949	125,606	136,949
Interest	1,926	7,291	-	-	1,926	7,291
Total expenses	132,900	142,427	125,606	136,949	258,506	279,376
Change in net position	28,036	75,067	32,801	9,189	60,837	84,256
Net position - beginning, previously stated	985,755	916,071	23,352	14,163	1,009,107	930,234
Effect of adoption of GASB No. 65	-	(5,383)	-	-	-	(5,383)
Net position - beginning, as restated	985,755	910,688	23,352	14,163	1,009,107	924,851
Net position - ending	\$ 1,013,791	\$ 985,755	\$ 56,153	\$ 23,352	\$ 1,069,944	\$ 1,009,107

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental activities

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2014 was \$132,900. The costs of the District's activities were primarily funded by program revenues. Program revenues, comprised primarily of assessments, decreased as a result of decreased level of assessments for the current fiscal year.

Business-type activities

Business-type activities reflect the operations of the water and sewer facilities within the District. The cost of operations is covered primarily by charges to customers. In addition, program revenues also include an assessment levy on customers for the current 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. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2014.

Actual general fund expenditures for the fiscal year ended September 30, 2014 were less than appropriations due primarily to anticipated costs which were not incurred in the current fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2014, the District had \$1,156,586 invested in land, land improvements, improvements other than buildings and machinery and equipment for its governmental activities. In the government-wide financial statements depreciation of \$236,795 has been taken, which resulted in a net book value of \$919,791. The District's business-type activities reported net capital assets of \$48. 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 no outstanding bonds 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

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 and enterprise 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 Palm Bay Community Development District's Finance Department at 2300 Glades Road, Suite 410W, Boca Raton, Florida 33431.

**PALM BAY COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 121,301	\$ 40,007	\$ 161,308
Investments	448	-	448
Accounts receivable	2,800	7,409	10,209
Internal balances	(24,980)	24,980	-
Capital assets:			
Nondepreciable	761,831	-	761,831
Depreciable, net	157,960	48	158,008
Total assets	<u>1,019,360</u>	<u>72,444</u>	<u>1,091,804</u>
LIABILITIES			
Accounts payable	2,869	9,001	11,870
Deposits payable	2,700	7,290	9,990
Total liabilities	<u>5,569</u>	<u>16,291</u>	<u>21,860</u>
NET POSITION			
Net investment in capital assets	919,791	48	919,839
Unrestricted	94,000	56,105	150,105
Total net position	<u>\$ 1,013,791</u>	<u>\$ 56,153</u>	<u>\$ 1,069,944</u>

See notes to the financial statements

**PALM BAY COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

Functions/Programs	Expenses	Program	Net (Expense) Revenue and		Total
		Revenues	Changes in Net Position		
		Charges	Governmental	Business-type	
		for	Activities	Activities	
		Services			
Primary government:					
Governmental activities:					
General government	\$ 51,176	\$ 51,176	\$ -	\$ -	\$ -
Maintenance and operations	79,798	109,662	29,864	-	29,864
Interest on long-term debt	1,926	-	(1,926)	-	(1,926)
Total governmental activities	132,900	160,838	27,938	-	27,938
Business-type activities:					
Water and sewer utilities	125,606	158,390	-	32,784	32,784
Total business-type activities	125,606	158,390	-	32,784	32,784
General revenues:					
Unrestricted investment earnings			98	17	115
Total general revenues			98	17	115
Change in net position			28,036	32,801	60,837
Net position - beginning			985,755	23,352	1,009,107
Net position - ending			\$ 1,013,791	\$ 56,153	\$ 1,069,944

See notes to the financial statements

**PALM BAY COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

	Major Fund	Total
	General	Governmental Funds
ASSETS		
Cash	\$ 121,301	\$ 121,301
Investments	448	448
Receivable	2,800	2,800
Due from other funds	25	25
Total assets	\$ 124,574	\$ 124,574
LIABILITIES		
Accounts payable	\$ 2,869	\$ 2,869
Deposits	2,700	2,700
Due to other funds	25,005	25,005
Total liabilities	30,574	30,574
FUND BALANCES		
Unassigned	94,000	94,000
Total fund balances	94,000	94,000
Total liabilities and fund balances	\$ 124,574	\$ 124,574

See notes to the financial statements

**PALM BAY COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

Total fund balances - governmental funds \$ 94,000

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	1,156,586	
Accumulated depreciation	(236,795)	919,791
Net position of governmental activities		\$ 1,013,791

See notes to the financial statements

**PALM BAY COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	Major Funds		Total Governmental Funds
	General	Debt Service	
REVENUES			
Assessments	\$ 160,838	\$ -	\$ 160,838
Interest income	98	-	98
Total revenues	<u>160,936</u>	<u>-</u>	<u>160,936</u>
EXPENDITURES			
Current:			
General government	51,176	-	51,176
Maintenance and operations	53,842	-	53,842
Physical environment	8,287	-	8,287
Debt service:			
Principal	-	60,000	60,000
Interest	-	3,301	3,301
Total expenditures	<u>113,305</u>	<u>63,301</u>	<u>176,606</u>
Excess (deficiency) of revenues over (under) expenditures	47,631	(63,301)	(15,670)
OTHER FINANCING SOURCES (USES)			
Transfers in	4,641	-	4,641
Transfers out	-	(4,641)	(4,641)
Total other financing sources (uses)	<u>4,641</u>	<u>(4,641)</u>	<u>-</u>
Net change in fund balances	52,272	(67,942)	(15,670)
Fund balances - beginning	<u>41,728</u>	<u>67,942</u>	<u>109,670</u>
Fund balances - ending	<u>\$ 94,000</u>	<u>\$ -</u>	<u>\$ 94,000</u>

See notes to the financial statements

**PALM BAY COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

Net change in fund balances - total governmental funds	\$	(15,670)
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 financial statements, but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities.		60,000
The change in accrued interest on long-term liabilities between the current and prior fiscal years is recorded in the statement of activities, but not in the governmental fund financial statements.		1,375
Depreciation of capital assets is not recognized in the governmental fund financial statements, but is reported as an expense in the statement of activities.		<u>(17,669)</u>
Change in net position of governmental activities	\$	<u><u>28,036</u></u>

See notes to the financial statements

**PALM BAY COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
STATEMENT OF NET POSITION - PROPRIETARY FUND
SEPTEMBER 30, 2014**

	Water and Sewer Utility
ASSETS	
Current assets:	
Cash and equivalents	\$ 40,007
Accounts receivable	7,409
Due from other funds	25,005
Total current assets	72,421
Noncurrent assets:	
Capital assets:	
Infrastructure	171,505
Less accumulated depreciation	(171,457)
Total capital assets, net of depreciation	48
Total noncurrent assets	48
Total assets	72,469
LIABILITIES	
Current liabilities:	
Accounts payable	9,001
Due to other funds	25
Deposits payable	7,290
Total current liabilities	16,316
Total liabilities	16,316
NET POSITION	
Net investment in capital assets	48
Unrestricted	56,105
	\$ 56,153

See notes to the financial statements

**PALM BAY COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	Water and Sewer Utility
Operating revenues:	
Charges for services:	
Water and sewer services	\$ 124,107
Assessments	34,283
Total operating revenues	158,390
 Operating expenses:	
Water and sewer	103,634
Maintenance costs	7,970
Other current charges	767
Depreciation	8,230
Miscellaneous	5,005
Total operating expenses	125,606
 Operating income (loss)	32,784
 Nonoperating revenues (expenses):	
Interest income	17
Total nonoperating revenues (expenses)	17
 Change in net position	32,801
 Total net position - beginning	23,352
 Total net position - ending	\$ 56,153

See notes to the financial statements

**PALM BAY COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	Water and Sewer Utility
CASH FLOW FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 171,340
Payments for goods and services	(118,170)
Net cash provided (used) by operating activities	53,170
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Due from other funds	(21,020)
Net cash provided (used) by non-capital financing activities	(21,020)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	17
Net cash provided (used) by investing activities	17
Net increase (decrease) in cash and cash equivalents	32,167
Cash and cash equivalents - October 1	7,840
Cash and cash equivalents - September 30	\$ 40,007
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ 32,784
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	8,230
(Increase)/Decrease in:	
Accounts receivable	4,502
Due from others	8,448
Increase/(Decrease) in:	
Accounts payable	(819)
Due to other funds	25
Total adjustments	20,386
Net cash provided (used) by operating activities	\$ 53,170

See notes to the financial statements

**PALM BAY COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

Palm Bay Community Development District ("District") was created on November 23, 1993 by Ordinance 93-25 of Hillsborough County, Florida, 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 the Board of Supervisors ("Board"), which is composed of five members. The Supervisors are elected by the owners of the property within the District. 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 Board of Supervisors 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 all platted lots within the District. Assessments are levied each November 1 on property 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 funds:

General Fund

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

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for the annual payment of principal and interest on long-term debt. The fund was closed out during the current fiscal year.

The District reports the following enterprise fund:

Water and Sewer Fund

The water and sewer fund is used to account for operations that are to be financed and operated in a manner similar to private business enterprises. The costs of providing services to customers are to be recorded primarily through user charges.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. Operating expenses of the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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 government's policy to use restricted resources first for qualifying expenditures, then unrestricted resources as they are needed.

Restricted Assets

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

Deposits and Investments

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

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

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

Prepaid Items

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.

Boat Slip Deposits Refundable

Residents can lease boat slips for 10 years and pay a one-time fee of \$10,000. The deposits are recorded as a liability in both government-wide and fund financial statements when received and the deposits are subject to refund for each lease termination. At September 30, 2014, the District has deposits on boat slip of \$2,700.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Net Position or Equity

Receivables

Accounts receivable are shown net of an allowance for uncollectible amounts. These receivables will be recognized as revenue as they are collected. Water and sewer utility accounts receivable in excess of 90 days comprise the allowance.

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the government and business type 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>
Machinery and equipment	10
Buildings and Infrastructure	20-30

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.

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.

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 ratably over the life of the Bonds. Bonds payable are reported net of applicable premiums or discounts. Bond issuance costs are expensed when incurred.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Long-Term Obligations (Continued)

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.

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

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

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

Other Disclosures

Use of Estimates

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

NOTE 3 – BUDGETARY INFORMATION

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

NOTE 3 – BUDGETARY INFORMATION (Continued)

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 public 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 AND INVESTMENTS

Deposits

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

Investments

The District's investments were held as follows at September 30, 2014:

	Fair Value	Credit Risk	Maturities
Investment in Local Government Surplus Funds Trust Fund (Florida PRIME)	\$ 448	S&P AAAM	Weighted average of the fund portfolio: 44 days
Total Investments	<u>\$ 448</u>		

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

Concentration risk – The District places no limit on the amount the District may invest in any one issuer.

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

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

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables at September 30, 2014 were as follows:

Fund	Receivable	Payable
General	\$ 25	\$ 25,005
Water and sewer	25,005	25
Total	<u>\$ 25,030</u>	<u>\$ 25,030</u>

The outstanding balances between funds result primarily from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made. In the case of the District, the balances between the general fund and water and sewer fund relate to assessments collected in the general fund that have not yet been transferred to the debt service fund and the water and sewer fund.

Interfund transfers for the fiscal year ended September 30, 2014 were as follows:

Fund	Transfer in	Transfer out
General	\$ 4,641	\$ -
Debt service	-	4,641
Total	<u>\$ 4,641</u>	<u>\$ 4,641</u>

Transfers are used to move revenues from the fund where collection occurs to the fund where funds have been reallocated for use. In the case of the District, transfers from the debt service fund to the general fund were made in accordance with the Bond Indenture.

NOTE 6 – 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 improvements	\$ 761,831	\$ -	\$ -	\$ 761,831
Total capital assets, not being depreciated	<u>761,831</u>	<u>-</u>	<u>-</u>	<u>761,831</u>
Capital assets, being depreciated				
Improvements other than buildings	391,052	-	-	391,052
Machinery and equipment	3,703	-	-	3,703
Total capital assets, being depreciated	<u>394,755</u>	<u>-</u>	<u>-</u>	<u>394,755</u>
Less accumulated depreciation for:				
Improvements other than buildings	215,423	17,669	-	233,092
Machinery and equipment	3,703	-	-	3,703
Total accumulated depreciation	<u>219,126</u>	<u>17,669</u>	<u>-</u>	<u>236,795</u>
Total capital assets, being depreciated, net	<u>175,629</u>	<u>(17,669)</u>	<u>-</u>	<u>157,960</u>
Governmental activities capital assets, net	<u>\$ 937,460</u>	<u>\$ (17,669)</u>	<u>\$ -</u>	<u>\$ 919,791</u>
<u>Business type activities</u>				
Capital assets, being depreciated				
Infrastructure	\$ 171,505	\$ -	\$ -	\$ 171,505
Total capital assets, being depreciated	<u>171,505</u>	<u>-</u>	<u>-</u>	<u>171,505</u>
Less accumulated depreciation for:				
Infrastructure	163,227	8,230	-	171,457
Total accumulated depreciation	<u>163,227</u>	<u>8,230</u>	<u>-</u>	<u>171,457</u>
Total capital assets, being depreciated, net	<u>8,278</u>	<u>(8,230)</u>	<u>-</u>	<u>48</u>
Business type activities capital assets, net	<u>\$ 8,278</u>	<u>\$ (8,230)</u>	<u>\$ -</u>	<u>\$ 48</u>

For governmental activities, depreciation was charged to the maintenance and operations function.

NOTE 7 – LONG TERM LIABILITIES

In 1994 the District issued \$940,000 of Special Assessment Revenue Bonds, Series 1994. The Series 1994 Bonds are due May 1, 2014 with fixed interest rates of 5.5%. The Bonds were issued to finance certain capital projects within the boundaries of the District. Interest is to be paid semiannually on each May 1 and November 1. Principal on the Series 1994 Bonds is due on May 1, 2014. The Bonds were paid off during the current fiscal year.

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>					
Bonds payable:					
Series 1994	\$ 60,000	\$ -	\$ (60,000)	\$ -	\$ -
Total	<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ (60,000)</u>	<u>\$ -</u>	<u>\$ -</u>

As of September 30, 2014, the District had no outstanding long term debt.

NOTE 8 – MANAGEMENT COMPANY

The District has contracted with Wrathell, Hunt and Associates, LLC 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 9 – 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 if any, have not exceeded commercial insurance coverage over the past three years.

**PALM BAY COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original		
REVENUES			
Assessments	\$ 159,917	\$ 160,838	\$ 921
Interest income	250	98	(152)
Miscellaneous	1,000	-	(1,000)
Total revenues	161,167	160,936	(231)
EXPENDITURES			
Current:			
General government	49,967	51,176	(1,209)
Maintenance and operations	121,200	53,842	67,358
Physical environment	-	8,287	(8,287)
Total expenditures	171,167	113,305	57,862
Excess (deficiency) of revenues over (under) expenditures	(10,000)	47,631	57,631
OTHER FINANCING SOURCES (USES)			
Transfer in (out)	-	4,641	4,641
Carry forward	10,000	-	(10,000)
Total other financing sources (uses)	10,000	4,641	(5,359)
Net change in fund balance	\$ -	52,272	\$ 52,272
Fund balance - beginning		41,728	
Fund balance - ending		\$ 94,000	

See notes to required supplementary information

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

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

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2014.

Actual general fund expenditures for the fiscal year ended September 30, 2014 were less than appropriations due primarily to anticipated costs which were not incurred in the current fiscal year.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of Palm Bay Community Development District, Hillsborough 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 March 31, 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.

March 31, 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
Palm Bay Community Development District
Hillsborough County, Florida

We have examined Palm Bay Community Development District, Hillsborough 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 Palm Bay Community Development District, Hillsborough County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

March 31, 2015



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

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of Palm Bay Community Development District, Hillsborough County, Florida (the "District") as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated March 31, 2015.

Auditor's 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 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 those reports, which are dated March 31, 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 Palm Bay Community Development District, Hillsborough County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

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

March 31, 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