

**Pier Park Community
Development District**

FINANCIAL STATEMENTS

September 30, 2015



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September 30, 2015**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Pier Park Community Development District
Panama City Beach, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Pier Park 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 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 May 11, 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.

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

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
May 11, 2016



Management's Discussion And Analysis

Pier Park Community Development District Management's Discussion and Analysis

Our discussion and analysis of the Pier Park 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 9.

FINANCIAL HIGHLIGHTS

- At September 30, 2015, the liabilities of the District exceeded its assets by approximately \$13.4 million (deficit).
- During the fiscal year ended September 30, 2015, the District incurred approximately \$539,000 of interest expenditures and repaid principal of \$565,000.
- During the year ended September 30, 2015, the District accrued contingent subordinate note repayments of approximately \$809,000, which were repaid subsequent to year end (see Note 8).

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 9 – 10 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 11. 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 4. 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 District's 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.

Pier Park Community Development District Management's Discussion and Analysis

Reporting the District's Most Significant Funds

Our analysis of the District's major funds begins on page 6. The fund financial statements begin on page 10 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. 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.

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> | 2015 | 2014 | Change |
|---|---------------------|---------------------|---------------------|
| Assets | | | |
| Current and other assets | \$ 2,004,341 | \$ 2,242,013 | \$ (237,672) |
| Capital assets, net | 1,383,279 | 1,490,516 | (107,237) |
| Total assets | \$ 3,387,620 | \$ 3,732,529 | \$ (344,909) |
| Liabilities | | | |
| Current liabilities | \$ 1,678,865 | \$ 1,984,598 | \$ (305,733) |
| Other liabilities | 15,070,000 | 15,655,000 | (585,000) |
| Total liabilities | 16,748,865 | 17,639,598 | (890,733) |
| Deferred inflows of resources | | | |
| Deferred revenue | 22,963 | - | 22,963 |
| Total deferred inflows of resources | 22,963 | - | 22,963 |
| Net position | | | |
| Net investment in capital assets | (699,514) | (667,446) | (32,068) |
| Restricted for debt service | 46,834 | 65,114 | (18,280) |
| Unrestricted | (12,731,528) | (13,304,737) | 573,209 |
| Total net position (deficit) | (13,384,208) | (13,907,069) | 522,861 |
| Total liabilities, deferred inflows of resources, and net position | \$ 3,387,620 | \$ 3,732,529 | \$ (344,909) |

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

Pier Park Community Development District Management's Discussion and Analysis

During the fiscal year ended September 30, 2015, total assets and liabilities decreased by approximately \$345,000 and \$891,000, respectively. The decrease in assets is due to the repayment of contingent subordinate note payments and depreciation on capital assets. The decrease in liabilities is due to the repayment of outstanding long-term bond principal and a decrease in the accrual of contingent subordinate notes payments.

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

| <i>Year ended September 30,</i> | 2015 | 2014 | Change |
|--|------------------------|------------------------|--------------------|
| Revenues: | | | |
| Program revenues: | | | |
| Operating grants and contributions | \$ 309,576 | \$ 371,503 | \$ (61,927) |
| General revenues: | | | |
| Occupational license revenues | 1,780,694 | 4,343,368 | (2,562,674) |
| Tax increment revenues | 450,500 | 320,175 | 130,325 |
| Interest and other revenues | 1,532 | 2,200 | (668) |
| Total revenues | 2,542,302 | 5,037,246 | (2,494,944) |
| Expenses: | | | |
| General government | 96,387 | 151,897 | (55,510) |
| Maintenance and operations | 365,141 | 385,390 | (20,249) |
| Parks and recreation | 173,961 | 184,701 | (10,740) |
| Contingent note payments | 809,135 | 2,121,009 | (1,311,874) |
| Bond issue costs | - | 593,915 | (593,915) |
| Interest | 574,817 | 1,062,790 | (487,973) |
| Total expenses | 2,019,441 | 4,499,702 | (2,480,261) |
| Change in net position | 522,861 | 537,544 | (14,683) |
| Net position (deficit), beginning of year | (13,907,069) | (14,444,613) | 537,544 |
| Net position (deficit), end of year | \$ (13,384,208) | \$ (13,907,069) | \$ 522,861 |

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

Revenues and expenses decreased by approximately \$2.5 million from the prior year. The decrease in revenues is primarily due to the decrease in occupational licenses revenue paid to the District which resulted from the District and the City entering into an Amended and Restated Public Improvement Partnership Agreement in conjunction with the refunding of the Series 2002 Bonds, whereby the occupational license revenue paid to the District is now paid on a monthly basis instead of at the end of each fiscal year. Accordingly, the revenue received and recorded in fiscal year 2014 was significantly

Pier Park Community Development District Management's Discussion and Analysis

higher as it also included amounts related to fiscal year 2013. The decrease in expenses is due to prior year bond issue costs incurred in conjunction with the Series 2002 bond refunding. In addition, the District incurred fewer contingent note payments (see Note 8) in the current year as a result of less occupational license revenues. The overall result was a \$522,861 increase in net position for fiscal year 2015.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 11) reported a combined fund balance of approximately \$1.1 million, which is an increase from last year's balance that totaled approximately \$1 million. Significant transactions are discussed below.

- During the fiscal year ended September 30, 2015, the District incurred approximately \$539,000 of interest expenditures and repaid principal of \$565,000.
- During the year ended September 30, 2015, the District accrued contingent subordinate note repayments of approximately \$809,000, all of which were repaid subsequent to year end (see Note 8).

The overall increase in fund balance for the year ended September 30, 2015 totaled approximately \$101,000.

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 and Special Revenue Fund, including the original budget and final adopted budget, are shown at pages 24 and 25, respectively.

General Fund

The District experienced an unfavorable variance in revenues as compared to the budget in the amount of \$22,963. Conversely, the District experienced a favorable variance in expenditures as compared to the budget in the amount of \$22,963. The variance in revenues and expenditures occurred primarily due to anticipated budgeted operating expenditures that were not incurred during the year.

Special Revenue Fund

The District experienced favorable variances in revenues as compared to the budget in the amount of \$787,189. Conversely, the District experienced an unfavorable variance in expenditures as compared to budget in the amount of \$703,811. The variance in revenues is primarily due to the revenue to fund the November 1, 2015 interest payment being received during fiscal year 2015. The variance in expenditures occurred primarily due to the use of the excess occupational license revenue to repay contingent note payments to the Developers.

Pier Park Community Development District Management's Discussion and Analysis

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2015, the District had approximately \$1.4 million invested in capital assets (net of accumulated depreciation). This amount represents a decrease of approximately \$107,000 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> | 2015 | 2014 | Change |
|----------------------------------|--------------|--------------|---------------|
| Capital assets being depreciated | \$ 2,561,669 | \$ 2,561,669 | \$ - |
| Accumulated depreciation | (1,178,390) | (1,071,153) | (107,237) |
| Net capital assets | \$ 1,383,279 | \$ 1,490,516 | \$ (107,237) |

More information about the District's capital assets is presented in Note 3 to financial statements.

Debt

At September 30, 2015, the District had approximately \$15.7 million of bonds outstanding. This amount represents a decrease of \$565,000 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> | 2015 | 2014 | Change |
|----------------------|---------------|---------------|---------------|
| Series 2014 bonds | \$ 15,655,000 | \$ 16,220,000 | \$ (565,000) |
| | \$ 15,655,000 | \$ 16,220,000 | \$ (565,000) |

More information about the District's long-term debt is presented in Note 4 to financial statements.

FUTURE FINANCIAL FACTORS

Pier Park 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 assessment rates. Assessment rates for fiscal year 2016 were established to provide for the operations of the District as well as the necessary debt service requirements.



Pier Park Community Development District Management's Discussion and Analysis

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 Pier Park Community Development District's finance department at 3434 Colwell Avenue, Suite 200, Tampa, Florida 33614.



Basic Financial Statements

**Pier Park Community Development District
Statement of Net Position**

| <i>September 30,</i> | 2015 |
|--------------------------------------|------------------------------------|
| | Governmental Activities |
| Assets | |
| Cash and cash equivalents | \$ 1,857,981 |
| Other receivables | 124,860 |
| Prepaid expenses | 21,500 |
| Capital assets, net | 1,383,279 |
| Total assets | 3,387,620 |
| Liabilities | |
| Accounts payable | 50,557 |
| Due to developer | 809,135 |
| Accrued interest payable | 234,173 |
| Non-current liabilities: | |
| Due within one year | 585,000 |
| Due in more than one year | 15,070,000 |
| Total liabilities | 16,748,865 |
| Deferred inflows of resources | |
| Deferred revenue | 22,963 |
| Total deferred inflows of resources | 22,963 |
| Net position | |
| Net investment in capital assets | (699,514) |
| Restricted for: | |
| Debt service | 46,834 |
| Unrestricted | (12,731,528) |
| Total net position (deficit) | \$ (13,384,208) |

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

**Pier Park Community Development District
Statement of Activities**

Year ended September 30,

2015

| Functions/Programs | Expenses | Program Revenues | Operating grants and contributions | Net (Expense) Revenue and Changes in Net Position |
|--------------------------------------|-----------------------|-------------------|------------------------------------|---|
| | | | Governmental Activities | |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ (96,387) | \$ 93,845 | | \$ (2,542) |
| Maintenance and operations | (365,141) | 204,624 | | (160,517) |
| Parks and recreation | (173,961) | 11,107 | | (162,854) |
| Contingent note payments | (809,135) | - | | (809,135) |
| Interest | (574,817) | - | | (574,817) |
| Total governmental activities | \$ (2,019,441) | \$ 309,576 | | (1,709,865) |

General revenues

| | |
|---|----------------------------|
| Occupational license revenues | 1,780,694 |
| Tax increment revenues | 450,500 |
| Interest and other revenues | 1,532 |
| Total general revenues | 2,232,726 |
| Change in net position | 522,861 |
| <u>Net position (deficit) - beginning of year</u> | <u>(13,907,069)</u> |
| <u>Net position (deficit) - end of year</u> | <u>\$ (13,384,208)</u> |

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

**Pier Park Community Development District
Balance Sheet – Governmental Funds**

September 30,

2015

| | General | Special Revenue | Debt Service | Total Governmental Funds |
|--|------------------|---------------------|-------------------|--------------------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 43,656 | \$ 1,814,325 | \$ - | \$ 1,857,981 |
| Other receivables | - | 124,860 | - | 124,860 |
| Prepaid expenditures | 7,887 | 13,613 | - | 21,500 |
| Due from other fund | 926 | - | 281,007 | 281,933 |
| Total assets | \$ 52,469 | \$ 1,952,798 | \$ 281,007 | \$ 2,286,274 |
| Liabilities and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 29,506 | \$ 21,051 | \$ - | \$ 50,557 |
| Due to developer | - | 809,135 | - | 809,135 |
| Due to other fund | - | 281,933 | - | 281,933 |
| Total liabilities | 29,506 | 1,112,119 | - | 1,141,625 |
| Deferred inflows of resources | | | | |
| Deferred revenue | 22,963 | - | - | 22,963 |
| Total deferred inflows of resources | 22,963 | - | - | 22,963 |
| Fund balances | | | | |
| Nonspendable | 7,887 | 13,613 | - | 21,500 |
| Restricted for debt service | - | - | 281,007 | 281,007 |
| Assigned for operations of Special Revenue Fund | - | 827,066 | - | 827,066 |
| Unassigned | (7,887) | - | - | (7,887) |
| Total fund balances | - | 840,679 | 281,007 | 1,121,686 |
| Total liabilities and fund balances | \$ 52,469 | \$ 1,952,798 | \$ 281,007 | \$ 2,286,274 |

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

**Pier Park Community Development District
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of
Net Position**

| <u>September 30,</u> | <u>2015</u> |
|---|------------------------|
| Total fund balances, governmental funds | \$ 1,121,686 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements. | 1,383,279 |
| Liabilities not due and payable from current resources, including accrued interest, are not reported in the fund financial statements. | <u>(15,889,173)</u> |
| Total net position (deficit) - governmental activities | <u>\$ (13,384,208)</u> |

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

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

Year ended September 30,

2015

| | General | Special Revenue | Debt Service | Total Governmental Funds |
|--------------------------------------|----------------|----------------------------|-------------------------|---|
| Revenues | | | | |
| Developer contributions | \$ 309,576 | \$ - | \$ - | \$ 309,576 |
| Tax increment revenues | - | - | 450,500 | 450,500 |
| Occupational license revenues | - | 1,109,657 | 671,037 | 1,780,694 |
| Interest and other revenues | - | 1,532 | - | 1,532 |
| Total revenues | 309,576 | 1,111,189 | 1,121,537 | 2,542,302 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 88,003 | 8,384 | - | 96,387 |
| Maintenance and operations | 210,165 | 47,739 | - | 257,904 |
| Parks and recreation | 11,408 | 162,553 | - | 173,961 |
| Debt service: | | | | |
| Principal | - | - | 565,000 | 565,000 |
| Interest | - | - | 538,626 | 538,626 |
| Contingent note payments | - | 809,135 | - | 809,135 |
| Total expenditures | 309,576 | 1,027,811 | 1,103,626 | 2,441,013 |
| Excess of revenues over expenditures | - | 83,378 | 17,911 | 101,289 |
| Fund balances, beginning of year | - | 757,301 | 263,096 | 1,020,397 |
| Fund balances, end of year | \$ - | \$ 840,679 | \$ 281,007 | \$ 1,121,686 |

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

**Pier Park 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> | 2015 |
|---|-------------------|
| Net change in fund balances - governmental funds | \$ 101,289 |
| Depreciation on capital assets is not recognized in the fund financial statements but is reported as an expense in the Statement of Activities. | (107,237) |
| Governmental funds report principal payments on bonds when debt is paid, whereas these payments are eliminated in the Statement of Activities and recognized as a decrease in bonds payable in the Statement of Net Position. | 565,000 |
| 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. | (36,191) |
| Change in net position of governmental activities | \$ 522,861 |

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

Pier Park Community Development District Notes to Financial Statements

NOTE 1: NATURE OF ORGANIZATION

The Pier Park Community Development District (the “District”) was established on March 22, 2001 pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes, by Panama City Beach Ordinance No. 716. 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, the original Developer (“The St. Joe Company”), the City of Panama City Beach, Florida (“City”) and the Panama City Beach Community Redevelopment Agency (“CRA”) have entered into a Public Improvement Partnership Agreement (the “Agreement”). Among other things, the Agreement provides for several property exchanges and long-term leases between the parties in order to facilitate development within the District. In accordance with the Agreement, a significant amount of improvements have been conveyed to the City, resulting in a large net asset deficit.

The District is governed by a Board of Supervisors (“Board”), which is comprised of five members. The Supervisors are elected on an at large basis by the landowners of the District. During the reporting period, certain Supervisors are either affiliated with the original Developer, The St. Joe Company, or with Pier Park LLC. The Simon Property Group, LP, which has been succeeded in interest by Pier Park LLC, acquired land from the original Developer (collectively the “Developers”). Pier Park LLC is involved in the commercial development of property within the District. The Developers have entered into a Development Agreement. The District is economically dependent, to a certain extent, on the Developers. The Board of Supervisors of the District exercises 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. Based on the foregoing criteria, no potential component units were found.

Pier Park 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.

Developer contributions 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.

Pier Park Community Development District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Revenue Fund – The Special Revenue Fund is used to account for the occupational license tax revenue and the operating expenses of Aaron Bessant Park and beach front improvements.

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 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.

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 direct obligations of the United States Treasury; 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.

Pier Park Community Development District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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: stormwater management system: 25 years and landscaping and other: 20 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.

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.

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.

Pier Park Community Development District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes 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 financial position 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 that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District only has one item that qualifies for reporting in this category: deferred revenue, which is reported in the Statement of Net Position and Balance Sheet – Governmental Funds. Deferred revenue resulted from developer funding received in excess of expenditures for fiscal year 2015 in the General Fund.

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.

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 resource 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. 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. For the year ended September 30, 2015, actual expenditures exceeded budget appropriations in the Special Revenue Fund due to the repayment of contingent subordinate notes (see Note 8).

Pier Park Community Development District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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. 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.
- E. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

NOTE 3: 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 |
|---|----------------------|---------------------|-------------|---------------------|
| Governmental Activities: | | | | |
| Capital assets being depreciated | | | | |
| Stormwater management system | \$ 2,084,580 | \$ - | \$ - | \$ 2,084,580 |
| Landscaping and other | 477,089 | - | - | 477,089 |
| Total capital assets, being depreciated | 2,561,669 | - | - | 2,561,669 |
| Less accumulated depreciation for: | | | | |
| Stormwater management system | (832,883) | (83,383) | - | (916,266) |
| Landscaping and other | (238,270) | (23,854) | - | (262,124) |
| Total accumulated depreciation | (1,071,153) | (107,237) | - | (1,178,390) |
| Total capital assets, being depreciated, net | 1,490,516 | (107,237) | - | 1,383,279 |
| Governmental activities capital assets, net | \$ 1,490,516 | \$ (107,237) | \$ - | \$ 1,383,279 |

Depreciation expense of \$107,237 was allocated to maintenance and operations on the accompanying Statement of Activities.

NOTE 4: BONDS PAYABLE

On May 28, 2014, the District issued \$16,220,000 of Capital Improvement Revenue Refunding Bonds, Series 2014 with a fixed interest rate of 3.59%. The bonds were issued to repay in full the Series 2002 bonds. Interest is paid semiannually on each May 1 and November 1. Principal payments are made serially commencing May 1, 2015 through May 1, 2034.

Pier Park Community Development District Notes to Financial Statements

NOTE 4: BONDS PAYABLE (Continued)

The District has entered into a Public Improvement Partnership Agreement with the CRA, whereby the CRA has agreed to transfer to the trustee on or before January 31 of each year, for as long as the Bonds are outstanding, certain tax increment revenues as defined in the Bond Indenture for payment of debt service on the Bonds. In accordance with the agreement, the District received \$450,500 in tax increment revenues during the fiscal year ended September 30, 2015.

The City has also pledged certain occupational license revenues to the District. During the fiscal year ended September 30, 2015, the District recognized \$1,780,694 of occupational license tax revenues from the City. The revenues are to be used in the following order:

1. Payment of certain maintenance costs within the District.
2. Payment of debt service on the Bonds.
3. Repayment of subordinated notes to the Developers. (See Note 8 – Related Party Transactions.)

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 2014 | \$ 16,220,000 | \$ - | \$ (565,000) | \$ 15,655,000 | \$ 585,000 |
| | \$ 16,220,000 | \$ - | \$ (565,000) | \$ 15,655,000 | \$ 585,000 |

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

| <i>Year Ending September 30,</i> | Principal | Interest | Service |
|----------------------------------|------------------|-----------------|----------------|
| 2016 | \$ 585,000 | \$ 562,015 | \$ 1,147,015 |
| 2017 | 605,000 | 541,013 | 1,146,013 |
| 2018 | 630,000 | 519,294 | 1,149,294 |
| 2019 | 650,000 | 496,677 | 1,146,677 |
| 2020 | 675,000 | 473,342 | 1,148,342 |
| 2021 - 2025 | 3,765,000 | 1,985,091 | 5,750,091 |
| 2026 - 2030 | 4,510,000 | 1,257,218 | 5,767,218 |
| 2031 - 2034 | 4,235,000 | 386,643 | 4,621,643 |
| | \$ 15,655,000 | \$ 6,221,293 | \$ 21,876,293 |

The Bond Indenture has certain 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. The District is in compliance with the requirements of the Bond Indentures for all series.

Pier Park Community Development District Notes to Financial Statements

NOTE 5: 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 6: 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 7: INTERFUND ACTIVITY

At September 30, 2015, the Special Revenue Fund owed the Debt Service Fund \$281,007 due to the lag time between the receipt of the debt service portion of the occupational license tax revenue and the transfer to the Debt Service Fund.

NOTE 8: RELATED PARTY TRANSACTIONS

The Developers have agreed to fund the General Fund operations of the District. In connection with that agreement, the Developer contributions to the General Fund totaled \$309,576 for the year ended September 30, 2015. In addition, the Developer made excess contributions according to the budget totaling \$22,963, which are reported as Deferred revenue on the accompanying Balance Sheet – Governmental Funds. The Developers have also agreed to fund the debt service on the bonds, which is not paid through special assessments or other revenue sources. Developer contributions to the Debt Service Fund were not needed for the year ended September 30, 2015 because the other revenue sources were sufficient to fund the debt service payments.



Pier Park Community Development District Notes to Financial Statements

NOTE 8: RELATED PARTY TRANSACTIONS (Continued)

As part of the Public Improvement Partnership Agreement mentioned in Notes 1 and 4, the District and the Developers have entered into several contingent subordinated notes. During the year ended September 30, 2015, the District did not issue any new notes and incurred \$809,135 of contingent note repayments to the Developers, all of which are recorded as Due to developer on the accompanying Statement of Net Position and Balance Sheet – Governmental Funds. The cumulative amount of subordinated notes at September 30, 2015 totaled \$9,158,474 (balance includes the amount due to developer at year end). These amounts have been recorded as Developer contributions in prior years and relate to the maintenance costs and debt service contributions. Repayment of these notes can only be made if the occupational license revenues pledged by the City exceed certain maintenance and debt service obligations. In that event, it is possible that the Developers would receive certain amounts as repayment of these subordinated notes. Because of the uncertainty surrounding repayment of these amounts, no liability has been recorded in the accompanying financial statements other than amounts Due to developer that were accrued at September 30, 2015.

NOTE 9: CONCENTRATION

A significant portion of the District's activity is dependent upon the continued involvement of the Developers, The St. Joe Company and The Simon Property Group, LP, the loss of which could have a materially adverse effect on the District's operations.



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

**Pier Park Community Development District
Budget to Actual Comparison Schedule – General Fund**

| <i>Year ended September 30,</i> | 2015 | | |
|---|--------------------------------------|---------------------------|---|
| | Original and Final Budget | Actual Amounts | Variance with Final Budget |
| Revenues | | | |
| Developer contributions | \$ 332,539 | \$ 309,576 | \$ (22,963) |
| Total revenues | 332,539 | 309,576 | (22,963) |
| Expenditures | | | |
| General government | 101,443 | 88,003 | 13,440 |
| Maintenance and operations | 219,766 | 210,165 | 9,601 |
| Parks and recreation | 11,330 | 11,408 | (78) |
| Total expenditures | 332,539 | 309,576 | 22,963 |
| Excess of revenues over expenditures | \$ - | \$ - | \$ - |

**Pier Park Community Development District
Budget to Actual Comparison Schedule – Special Revenue Fund**

| <i>Year ended September 30,</i> | 2015 | | |
|---|--------------------------------------|-----------------------|---------------------------------------|
| | Original and Final Budget | Actual Amounts | Variance with Final Budget |
| Revenues | | | |
| Occupational license revenues | \$ 324,000 | \$ 1,109,657 | \$ 785,657 |
| Interest and other revenues | - | 1,532 | 1,532 |
| Total revenues | 324,000 | 1,111,189 | 787,189 |
| Expenditures | | | |
| General government | 8,444 | 8,384 | 60 |
| Maintenance and operations | 127,101 | 47,739 | 79,362 |
| Parks and recreation | 188,455 | 162,553 | 25,902 |
| Contingent note payments | - | 809,135 | (809,135) |
| Total expenditures | 324,000 | 1,027,811 | (703,811) |
| Excess of revenues over expenditures | \$ - | \$ 83,378 | \$ 83,378 |



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

To the Board of Supervisors
Pier Park Community Development District
Panama City Beach, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Pier Park 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 May 11, 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 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 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.

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida

May 11, 2016



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MANAGEMENT LETTER

To the Board of Supervisors
Pier Park Community Development District
Panama City Beach, Florida

Report on the Financial Statements

We have audited the financial statements of the Pier Park Community Development District ("District") as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated May 11, 2016.

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 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 May 11, 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. There were no findings or recommendations made in the 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 District 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 connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. 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 Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Supervisors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

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

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
May 11, 2016



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INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Supervisors
Pier Park Community Development District
Panama City Beach, Florida

We have examined Pier Park 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.

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
May 11, 2016