

**FIDDLER'S CREEK  
COMMUNITY DEVELOPMENT DISTRICT 1  
COLLIER COUNTY, FLORIDA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**FIDDLER’S CREEK COMMUNITY DEVELOPMENT DISTRICT 1  
COLLIER COUNTY, FLORIDA**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
Fiddler's Creek Community Development District 1  
Collier County, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Fiddler's Creek Community Development District 1, Collier County, Florida (the "District") as of and for the fiscal year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

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

## **Emphasis of Matter**

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

## **Other Matters**

### *Required Supplementary Information*

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



June 26, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Fiddler's Creek Community Development District 1, Collier County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2013. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

### FINANCIAL HIGHLIGHTS

- The liabilities of the District exceeded its assets plus deferred outflows of resources at the close of the most recent fiscal year resulting in a net position deficit balance of (\$2,162,456).
- The change in the District's total net position in comparison with the prior year was \$122,322, 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, 2013, the District's governmental funds reported combined ending fund balances of \$1,459,747, a decrease of (\$1,385,259) in comparison with the prior fiscal year. The majority of fund balance is restricted for debt service, non-spendable for prepaid items, unassigned deficit fund balance in the Series 2005 debt service and capital projects funds and the remainder is unassigned fund balance which is available for spending at the District's discretion.
- During fiscal year 2013, the District implemented Governmental Accounting Standards Board GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Please see New Accounting Standards Adopted in Note 2 of the financial statements for additional information.

### OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis 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.

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

## OVERVIEW OF FINANCIAL STATEMENTS (Continued)

### Fund Financial Statements

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

### Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and 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 eight individual governmental funds for external reporting. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service Series 1999, 2002, 2005, 2006, 2013 and 2013A funds and capital projects Series 2005 funds. All of the funds are considered to be major funds. During the current fiscal year, Series 1999 and 2006 were refunded by Series 2013 and 2013A, respectively.

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

### Notes to the Financial Statements

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the District, liabilities exceeded assets plus deferred outflows of resources 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,	
	2013	2012
Current and other assets	\$ 1,820,935	\$ 3,886,146
Capital assets, net of depreciation	35,453,814	36,290,625
Total assets	<u>37,274,749</u>	<u>40,176,771</u>
Deferred outflows of resources	209,337	-
Current liabilities	470,379	450,176
Long-term liabilities	39,176,163	41,191,790
Total liabilities	<u>39,646,542</u>	<u>41,641,966</u>
Net position		
Net investment in capital assets	(3,513,012)	(4,154,279)
Restricted	578,581	1,600,784
Unrestricted	771,975	1,088,300
Total net position (deficit)	<u>\$ (2,162,456)</u>	<u>\$ (1,465,195)</u>

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 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 ENDED SEPTEMBER 30,	
	2013	2012
Revenues:		
Program revenues		
Charges for services	\$ 4,210,164	\$ 4,194,345
Operating grants and contributions	322	202
General revenues		
Unrestricted investment earnings	4,274	1,195
Loss on sale of assets	(8,317)	-
Miscellaneous	8,941	-
Total revenues	<u>4,215,384</u>	<u>4,195,742</u>
Expenses:		
General government	425,411	467,735
Maintenance and operations	2,855,775	2,775,980
Delinquent debt from bankruptcy proceedings	-	1,711,694
Interest	811,876	679,069
Total expenses	<u>4,093,062</u>	<u>5,634,478</u>
Change in net position	<u>122,322</u>	<u>(1,438,736)</u>
Net position (deficit) - beginning, previously stated	<u>(1,465,195)</u>	<u>(26,459)</u>
Effect of adoption of GASB No. 65 (Note 2)	<u>(819,583)</u>	<u>-</u>
Net position (deficit) - beginning, as restated	<u>(2,284,778)</u>	<u>(26,459)</u>
Net position (deficit) - ending	<u>\$ (2,162,456)</u>	<u>\$ (1,465,195)</u>

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2013 was \$4,093,062. The majority of the costs of the District's activities were paid by program revenues. Program revenues are comprised primarily of assessments.

## GENERAL BUDGETING HIGHLIGHTS

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

The actual general fund expenditures for the current fiscal year were lower than budgeted amounts due primarily to anticipated costs which were not incurred in the current fiscal year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At September 30, 2013, the District had \$48,780,078 invested in land, land improvements, infrastructure, building and improvements and equipment. In the government-wide financial statements depreciation of \$13,326,264 has been taken, which resulted in a net book value of \$35,453,814. More detailed information about the District's capital assets is presented in the notes of the financial statements.

### Capital Debt

At September 30, 2013, the District had \$39,270,894 in Bonds outstanding for its governmental activities. More detailed information about the District's capital debt is presented in the notes of the financial statements.

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

For the subsequent fiscal year, the District anticipates that the cost of general operations will remain fairly constant. The District initiated a restructuring program for the Series 2002 and 2005 Bonds in the prior year but the program was delayed due to a potential litigation between the current trustee and the District. However, the District entered a trustee removal agreement with the current trustee and appointed a successor trustee in March 2014. The restructuring program for the Series 2002 and 2005 will resume and is estimated to be completed in the fiscal year 2014.

## 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 Fiddler's Creek Community Development District 1's Finance Department at 6131 Lyons Road, Suite 100, Coconut Creek, Florida, 33073.



**FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT 1  
COLLIER COUNTY, FLORIDA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2013**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 1,084,358
Accounts receivable	2,188
Assessments receivable	27,518
Prepays	5,125
Due from other government	19,947
Restricted assets:	
Investments	681,799
Capital assets:	
Nondepreciable	25,865,833
Depreciable, net	9,587,981
Total assets	<u>37,274,749</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on refunding	<u>209,337</u>
Total deferred outflows of resources	<u>209,337</u>
 <b>LIABILITIES</b>	
Accounts payable	361,188
Accrued interest payable	109,191
Non-current liabilities:	
Due within one year	2,340,901
Due in more than one year	36,835,262
Total liabilities	<u>39,646,542</u>
 <b>NET POSITION</b>	
Net investment in capital assets	(3,513,012)
Restricted for debt service	578,581
Unrestricted	771,975
Total net position (deficit)	<u>\$ (2,162,456)</u>

See notes to the financial statements

**FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT 1  
COLLIER COUNTY, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<u>Primary government:</u>				
Governmental activities:				
General government	\$ 425,411	\$ 425,411	\$ -	\$ -
Maintenance and operations	2,855,775	2,008,982	-	(846,793)
Interest on long-term debt	811,876	1,775,771	322	964,217
Total governmental activities	4,093,062	4,210,164	322	117,424
General revenues:				
Investment earnings				4,274
Loss on sale of assets				(8,317)
Miscellaneous				8,941
Total general revenues				4,898
Change in net position				122,322
Net position (deficit)- beginning, previously stated				(1,465,195)
Effect of adoption of GASB No. 65 (Note 2)				(819,583)
Net position (deficit) - beginning, as restated				(2,284,778)
Net position (deficit) - ending				\$ (2,162,456)

See notes to the financial statements

**FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT 1  
COLLIER COUNTY, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2013**

	Major Funds						Total Governmental Funds
	General	Debt Service Series 2002	Debt Service Series 2005	Debt Service Series 2013	Debt Service Series 2013A	Capital Projects Series 2005	
<b>ASSETS</b>							
Cash	\$ 1,084,358	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,084,358
Investments	-	22,026	571	587,541	69,810	1,851	681,799
Accounts receivable	-	-	-	-	-	2,188	2,188
Assessments receivable	14,147	-	-	8,035	5,336	-	27,518
Due from other funds	394,478	-	-	1,517	1,007	-	397,002
Due from other government	19,947	-	-	-	-	-	19,947
Prepays	5,125	-	-	-	-	-	5,125
Total assets	\$ 1,518,055	\$ 22,026	\$ 571	\$ 597,093	\$ 76,153	\$ 4,039	\$ 2,217,937
<b>LIABILITIES</b>							
Liabilities:							
Accounts payable	\$ 340,163	\$ -	\$ -	\$ -	\$ -	\$ 21,025	\$ 361,188
Due to other funds	-	7,500	298,337	-	-	91,165	397,002
Total liabilities	340,163	7,500	298,337	-	-	112,190	758,190
<b>FUND BALANCES</b>							
Nonspendable:							
Prepaid items	5,125	-	-	-	-	-	5,125
Restricted for:							
Debt service	-	14,526	-	597,093	76,153	-	687,772
Unassigned:							
General	1,172,767	-	-	-	-	-	1,172,767
Debt service	-	-	(297,766)	-	-	-	(297,766)
Capital projects	-	-	-	-	-	(108,151)	(108,151)
Total fund balances	1,177,892	14,526	(297,766)	597,093	76,153	(108,151)	1,459,747
Total liabilities and fund balances	\$ 1,518,055	\$ 22,026	\$ 571	\$ 597,093	\$ 76,153	\$ 4,039	\$ 2,217,937

See notes to the financial statements

**FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT 1  
COLLIER COUNTY, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2013**

Fund balance - governmental funds \$ 1,459,747

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

Capital assets used in governmental activities are not financial resources, therefore, are not reported as assets in the governmental funds. The statement of net position includes those capital assets, net of accumulated depreciation, in the assets of the government as a whole.

Cost of capital assets	48,780,078	
Accumulated depreciation	<u>(13,326,264)</u>	35,453,814

Deferred outflows of resources resulting from current or advance refundings are reported in the government-wide financial statements but not on the fund financial statements.	209,337
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Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.

Accrued interest payable	(109,191)	
Bond discounts	94,731	
Bonds payable	<u>(39,270,894)</u>	(39,285,354)

Net position of governmental activities	<u><u>\$ (2,162,456)</u></u>
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See notes to the financial statements

**FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT 1  
COLLIER COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	Major Funds							Total Governmental Funds
	Debt Service Series 1999	Debt Service Series 2002	Debt Service Series 2005	Debt Service Series 2006	Debt Service Series 2013	Debt Service Series 2013A	Capital Projects Series 2005	
<b>REVENUES</b>								
Assessments	\$ 1,853,850	\$ -	\$ -	\$ 700,331	\$ 23,256	\$ 5,753	\$ -	\$ 3,629,621
Developer assessments	580,543	-	-	-	-	-	-	580,543
Interest	4,274	158	11	121	26	1	2	4,596
Miscellaneous income	9,307	-	-	-	-	-	-	9,307
<b>Total revenues</b>	<b>2,447,974</b>	<b>1,046,589</b>	<b>11</b>	<b>700,452</b>	<b>23,282</b>	<b>5,754</b>	<b>2</b>	<b>4,224,067</b>
<b>EXPENDITURES</b>								
Current:								
General government	377,310	-	-	19,176	302	20	-	425,411
Maintenance and operations	1,986,616	-	-	-	-	-	-	1,986,616
Debt service:								
Principal	-	610,000	-	525,000	-	-	-	1,135,000
Interest	-	401,878	-	146,744	-	-	-	548,622
Bond issuance costs	-	-	-	-	233,521	136,763	-	370,284
Payment to escrow agent with other resources	-	-	-	-	499,707	604,654	-	1,104,361
Capital outlay	13,733	-	-	-	-	-	27,298	41,031
<b>Total expenditures</b>	<b>2,377,659</b>	<b>1,040,481</b>	<b>-</b>	<b>690,920</b>	<b>733,530</b>	<b>741,437</b>	<b>27,298</b>	<b>5,611,325</b>
Excess (deficiency) of revenues over (under) expenditures	70,315	6,108	11	9,532	(710,248)	(735,683)	(27,296)	(1,387,258)
<b>OTHER FINANCING SOURCES (USES)</b>								
Interfund transfers in (out)	19,277	(1,305,342)	(7,952)	(810,308)	1,305,342	811,836	(8,158)	-
Bond discount	-	-	-	-	(98,850)	-	-	(98,850)
Refunding bond issued	-	-	-	-	5,905,000	2,425,000	-	8,330,000
Payment to refunded bond escrow agent	-	-	-	-	(5,804,151)	(2,425,000)	-	(8,229,151)
<b>Total other financing sources (uses)</b>	<b>19,277</b>	<b>(1,305,342)</b>	<b>(7,952)</b>	<b>(810,308)</b>	<b>1,307,341</b>	<b>811,836</b>	<b>(8,158)</b>	<b>1,999</b>
Net change in fund balances	89,592	(1,299,234)	(7,941)	(800,776)	597,093	76,153	(35,454)	(1,385,259)
Fund balances - beginning	1,088,300	1,299,234	22,467	800,776	-	-	(72,697)	2,845,006
<b>Fund balances - ending</b>	<b>\$ 1,177,892</b>	<b>\$ -</b>	<b>\$ 14,526</b>	<b>\$ (297,766)</b>	<b>\$ 597,093</b>	<b>\$ 76,153</b>	<b>\$ (108,151)</b>	<b>\$ 1,459,747</b>

See notes to the financial statements

**FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT 1  
COLLIER COUNTY, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

Net change in fund balances - total governmental funds	\$ (1,385,259)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, the cost of capital assets is eliminated in the statement of activities and capitalized in the statement of net position.	41,031
Depreciation of capital assets is not recognized in the governmental fund statements but is reported as an expense in the statement of activities.	(869,159)
In connection with the issuance of refunding Bonds certain amounts transferred to the escrow agent are reported as a financing use or payment to escrow agent with other resources when debt is first issued, whereas these amounts are eliminated in the statement of activities and reduce long-term liabilities in the statement of net position.	9,333,512
Governmental funds report bond proceeds when debt is first issued, whereas these proceeds are eliminated in the statement of activities and recognized as long-term liabilities in the statement of net position.	(8,231,150)
Bond discounts and refunding costs are amortized over the lives of the bonds in the statement of activities, but are recorded as expenditures in the governmental funds.	(12,398)
Repayments of long-term liabilities are reported as expenditures in the governmental fund statement but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities.	1,135,000
Disposal of capital assets are reported in the governmental funds to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(8,683)
The change in accrued interest on long-term liabilities between the current and prior fiscal year is recorded in the statement of activities but not in the fund financial statements.	119,428
Change in net position of governmental activities	\$ 122,322

See notes to the financial statements

**FIDDLER’S CREEK COMMUNITY DEVELOPMENT DISTRICT 1  
COLLIER COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

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

Fiddler’s Creek Community Development District 1, (“District”) was created on August 13, 1996 under the Uniform Community Development District Act of 1980, Chapter 190, Florida Statutes, as amended (the “Act”) and Rule 42X 1.001-1.003 adopted by Florida Land and Water Adjudicatory Commission and amended on September 16, 2003, designated as Fiddler’s Creek Community Development District 1. 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 located in the metropolitan Naples area of Collier County, Florida, within the Fiddler’s Creek Development of Regional Impact (“DRI”), a master planned community that is comprised of the District and Fiddler’s Creek Community Development District 2. The District consists of approximately 1,390 acres within the Fiddler’s Creek DRI. In 2003, the boundaries of the District were modified but the acreage, 1,390 acres, remained the same.

The District is governed by the Board of Supervisors (“Board”), which is composed of five members. The Supervisors are elected by qualified electors living 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”) Statement 14, and Statement 39, an amendment of GASB Statement 14. 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.

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

### **Government-Wide and Fund Financial Statements (Continued)**

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*.

### **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 real property 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. The District invoices the prime Developer for some of the debt service assessments. 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 considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. 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 Funds**

The debt service funds are used to account for the accumulation of resources for the annual payment of principal and interest on long-term debt for the Series 1999, 2002, 2005, 2006, 2013 and 2013A.

### **Capital Projects Funds**

This fund accounts for the financial resources to be used for the acquisition or construction of major infrastructure within the District related to the Series 2005 capital project.

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



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

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

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

### **New Accounting Standards Adopted**

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

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

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

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

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

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

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

The implementation of GASB 65 resulted in the write off of Bond issuance costs and the effect of adoption of GASB 65 is the reduction of beginning net position by \$819,583 of the governmental activities. The effect on fiscal year 2012 had the implementation of GASB 65 occurred earlier would have resulted in a decrease in expenses of the governmental activities by \$81,103.

### **Assets, Liabilities, Net Position and Fund Balance**

#### **Restricted Assets**

These assets represent cash and investments set aside pursuant to Bond and debt covenants.

#### **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.

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

### Assets, Liabilities, Net Position and Fund Balance (Continued)

#### Deposits and Investments (Continued)

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

The District records all interest revenue related to 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.

#### 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 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 one year. 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>
Equipment	5 - 10
Infrastructure	20 - 40
Buildings and improvements	7 - 39

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.

#### Refunding of Debt

For current refunding and advance refunding resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources/deferred inflow of resources and recognized ratably as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. In connection with the refunding, \$8,279 was recognized as a component of interest expense in the current fiscal year.

#### Unearned Revenue

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

#### Deferred Outflows/Inflows of Resources

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

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

### **Assets, Liabilities, Net Position and Fund Balance (Continued)**

#### Deferred Outflows/Inflows of Resources

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

#### Long-Term Obligations

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

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

#### Fund Balance/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.

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

### Other Disclosures

#### Use of Estimates

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

## NOTE 3 – BUDGETARY INFORMATION

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

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

- a) Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- b) Public hearings are conducted to obtain 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, 2013:

	Fair Value	Credit Risk	Maturities
Money Market Mutual Funds - First American			Weighted average of the
Government Obligation Fund CL Y	\$ 681,799	S&P AAAM	fund portfolio: 51 days
	<u>\$ 681,799</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.

## NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

### Investments (Continued)

*Concentration risk* – The District places no limit on the amount the District may invest in any one issuer however the District has elected to proceed under the Alternative Investment Guidelines as described in Note 1.

*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 – CAPITAL ASSETS

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

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land and improvements	\$ 23,293,924	\$ -	\$ -	\$ 23,293,924
Construction in progress	2,571,909	-	-	2,571,909
Total capital assets, not being depreciated	<u>25,865,833</u>	<u>-</u>	<u>-</u>	<u>25,865,833</u>
Capital assets, being depreciated				
Building and improvements	7,695,968	27,298	-	7,723,266
Infrastructure	15,109,489	-	-	15,109,489
Equipment	83,613	13,733	(15,856)	81,490
Total capital assets, being depreciated	<u>22,889,070</u>	<u>41,031</u>	<u>(15,856)</u>	<u>22,914,245</u>
Less accumulated depreciation for:				
Building and improvements	6,790,664	333,580	-	7,124,244
Infrastructure	5,613,501	525,193	-	6,138,694
Equipment	60,113	10,386	(7,173)	63,326
Total accumulated depreciation	<u>12,464,278</u>	<u>869,159</u>	<u>(7,173)</u>	<u>13,326,264</u>
Total capital assets, being depreciated, net	<u>10,424,792</u>	<u>(828,128)</u>	<u>(8,683)</u>	<u>9,587,981</u>
Governmental activities capital assets, net	<u>\$ 36,290,625</u>	<u>\$ (828,128)</u>	<u>\$ (8,683)</u>	<u>\$ 35,453,814</u>

The total projected cost of infrastructure to the District was estimated at approximately \$55,000,000. Four phases of major infrastructure construction were anticipated. Construction of Phases 1, 2, and 3 were substantially completed. In the prior year the District reduced the scope of the project and redeemed a portion of the outstanding Series 2005 Bonds.

Depreciation expense was charged to the maintenance and operation function.

## NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ 394,478	\$ -
Debt service 2002	-	7,500
Debt service 2005	-	298,337
Debt service 2006	-	-
Debt service 2013	1,517	-
Debt service 2013A	1,007	-
Capital projects 2005	-	91,165
Total	<u>\$ 397,002</u>	<u>\$ 397,002</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. The majority balances between the general fund and the debt service Series 2005 relate to legal fees incurred in prior years in debt service Series 2005 with regard to the bond default that were paid from the general fund.

Interfund transfers for the fiscal year ended September 30, 2013 were as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Transfer Out</u>
General	\$ 19,277	\$ -
Debt service 1999	-	1,305,342
Debt service 2002	-	7,952
Debt service 2005	-	4,695
Debt service 2006	-	810,308
Debt service 2013	1,305,342	-
Debt service 2013A	811,836	-
Capital projects 2005	-	8,158
Total	<u>\$ 2,136,455</u>	<u>\$ 2,136,455</u>

The majority interfund transfers are related to refunding activities that were incurred within the respective funds.

## NOTE 7 – CONCENTRATION

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

## NOTE 8 – LONG TERM LIABILITIES

At September 30, 2013 the District has the following Bond issues outstanding.

### Series 1999

In May 1999, the District issued \$17,245,000 of Special Assessment Revenue Bonds, Series 1999 consisting of \$9,305,000 Term Bonds Series 1999A due on May 1, 2021 with a fixed interest rate of 5.875% and \$7,940,000 Term Bonds Series 1999B due on May 1, 2021 with a fixed interest rate of 5.80%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1. Principal is to be paid on May 1, commencing May 1, 2002.

In May 2013 the District issued \$5,905,000 of Special Assessment Revenue Refunding Bonds, Series 2013 (described below) and transferred \$6,303,858 to the Trustee to refund the remaining outstanding Series 1999 Bonds. The outstanding balance of the Series 1999 Bonds was \$6,255,000 at the time. The refunding resulted in a difference in cash flows required to pay the respective debt service of \$276,051 and resulted in an economic gain of \$114,125. The refunded Bonds were paid in full on June 19, 2013.



## **NOTE 8 – LONG TERM LIABILITIES (Continued)**

### **Series 2002**

In March 2002, the District issued \$15,450,000 of Special Assessment Revenue Bonds, Series 2002 consisting of \$10,120,000 Term Bonds Series 2002A due on May 1, 2033 with a fixed interest rate of 6.875% and \$5,330,000 Term Bonds Series 2002B due on May 1, 2033 with a fixed interest rate of 6.625%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1. Principal is to be paid on May 1, commencing May 1, 2004.

The Series 2002 Bonds are subject to redemption at the option of the District, in whole or in part at any time on or after May 1, 2012 at a redemption price as set forth in the Bond Indenture. The Series 2002 Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture.

The Bond Indenture established a debt service reserve requirement as well as other restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. As of September 30, 2013, the reserve fund account balance was not sufficient to satisfy this requirement.

In accordance with the Developer's Plan of Reorganization approved by the Bankruptcy Court in the prior year, the Series 2002AB Bonds have a new par amount equal to the outstanding amounts plus unpaid and accrued interest with the same pre-petition coupon rate commencing on May 1, 2013 as the first payment date with the maturity date on May 1, 2033. In April 2013, the District and the Bondholder entered into a Bondholder consent agreement to extend the first debt service payment due on May 1, 2013 to May 1, 2014 without additional accrued interests. As such, the balance of Series 2002AB as of September 30, 2013 remains the same as the prior fiscal year ending balance. In addition subsequent to year end the first debt service payment due on May 1, 2013 was extended to November 1, 2014 without additional accrued interests.

### **Series 2005**

In December 2005, the District issued \$18,095,000 of Special Assessment Revenue Bonds, Series 2005 due May 1, 2038 with a fixed interest rate of 6.00%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1. Principal is to be paid on May 1, commencing May 1, 2009.

The Series 2005 Bonds are subject to redemption at the option of the District, in whole or in part at any time on or after May 1, 2016 at a redemption price as set forth in the Bond Indenture. The Series 2005 Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture.

The Bond Indenture established a debt service reserve requirement as well as other restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. As of September 30, 2013, the reserve fund account balance was not sufficient to satisfy this requirement.

In accordance with the Developer's Plan of Reorganization approved by the Bankruptcy Court in the prior year, the Series 2005 Bonds have a new par amount equal to the outstanding amounts plus unpaid and accrued interest with the same pre-petition coupon rate commencing on May 1, 2013 as the first payment date with the maturity date on May 1, 2038. In April 2013, the District and the Bondholder entered into a Bondholder consent agreement to extend the first debt service payment due on May 1, 2013 to May 1, 2014 without additional accrued interests. As such, the balance of Series 2005 as of September 30, 2013 remains the same as the prior fiscal year ending balance. . In addition subsequent to year end the first debt service payment due on May 1, 2013 was extended to November 1, 2014 without additional accrued interests.

## **NOTE 8 – LONG TERM LIABILITIES (Continued)**

### **Series 2006**

In November 2006, the District issued \$6,570,000 of Special Assessment Revenue Refunding Bonds, Series 2006 due May 1, 2018 with a fixed interest rate of 4.20%. Bonds were issued to refund \$6,790,000 of the Capital Improvement Revenue Bonds, Series 1996. Interest is to be paid semiannually on each May 1 and November 1, commencing May 1, 2007. Principal is to be paid on May 1, commencing May 1, 2008.

In July 2013 the District issued Special Assessment Revenue Refunding Bonds, Series 2013A (described below) and transferred \$3,029,654 to the Trustee to refund the remaining outstanding Series 2006 Bonds. The outstanding balance of the Series 2006 Bonds was \$2,935,000 at the time. The refunding resulted in a difference in cash flows required to pay the respective debt service of \$(105,422) and resulted in an economic loss of (\$162,955). The refunded Bonds were paid in full on August 16, 2013.

### **Series 2013**

On May 20, 2013, the District issued \$5,905,000 of Special Assessment Revenue Refunding Bonds, Series 2013 to refund the Special Assessment Revenue Bonds, Series 1999. The Series 2013 Bonds is due on May 1, 2021 with a fixed interest rate of 4.00%. Interest is paid semiannually on each May 1 and November 1, commencing November 1, 2013. Principal on the Series 2013 Bonds is paid serially and commences on May 1, 2014.

The 2013 Bonds are not subject to redemption at the option of the District prior to maturity. The 2013 Bonds are subject to mandatory sinking fund and extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture.

The Bond Indenture established a debt service reserve requirement as well as other restrictions. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District is in compliance with those requirements of the Bond Indenture at September 30, 2013.

### **Series 2013A**

On June 27, 2013, the District also issued \$2,425,000 of Special Assessment Revenue Refunding Bonds, Series 2013A to refund the Special Assessment Revenue Refunding Bonds, Series 2006. The Series 2013A Bonds is due on May 1, 2018 with a fixed interest rate of 3.625%. Interest is paid semiannually on each May 1 and November 1, commencing November 1, 2013. Principal on the Series 2013 Bonds is paid serially and commences on May 1, 2014.

The 2013A Bonds are not subject to redemption at the option of the District. The 2013A Bonds are subject to mandatory sinking fund and extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture.

The Bond Indenture established a debt service reserve requirement as well as other restrictions. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District is in compliance with those requirements of the Bond Indenture at September 30, 2013.



## NOTE 8 – LONG TERM LIABILITIES (Continued)

### Long-term debt transactions

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 1999A	\$ 5,335,000	\$ -	\$ (5,335,000)	\$ -	\$ -
Series 1999B	1,530,000	-	(1,530,000)	-	-
Series 2002A	10,890,863	-	-	10,890,863	495,840
Series 2002B	5,785,281	-	-	5,785,281	271,342
Series 2005	14,264,750	-	-	14,264,750	483,719
Series 2006	3,460,000	-	(3,460,000)	-	-
Series 2013	-	5,905,000	-	5,905,000	640,000
Series 2013A	-	2,425,000	-	2,425,000	450,000
Less: bond discount	-	(98,850)	4,119	(94,731)	-
Total	<u>\$ 41,265,894</u>	<u>\$ 8,231,150</u>	<u>\$ (10,320,881)</u>	<u>\$ 39,176,163</u>	<u>\$ 2,340,901</u>

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

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2014	\$ 2,340,901	\$ 3,235,717	\$ 5,576,618
2015	1,823,994	2,189,012	4,013,006
2016	1,910,176	2,100,695	4,010,871
2017	2,004,466	2,007,828	4,012,294
2018	2,107,074	1,910,009	4,017,083
2019-2023	7,547,178	8,123,618	15,670,796
2024-2028	7,068,618	6,028,540	13,097,158
2029-2033	9,787,105	3,398,802	13,185,907
2034-2038	4,681,382	876,312	5,557,694
Total	<u>\$ 39,270,894</u>	<u>\$ 29,870,533</u>	<u>\$ 69,141,427</u>

## NOTE 9 – DEVELOPER REORGANIZATION

In prior years, the Developer was unable to provide the District with sufficient assessments levied and imposed on its property to satisfy debt obligation. On February 23, 2010, the Developer filed for Chapter 11 bankruptcy protection. In fiscal year 2011, the Bankruptcy Court approved the Developer's Plan of Reorganization.

As a result, the Series 2002AB Bond claims with respect to off roll property owned by the Developer shall have a new par amount equal to the outstanding amounts plus unpaid and accrued interest. The Series 2002AB Bonds continue with the same pre-petition coupon rate commencing on May 1, 2013 as the first payment date with the maturity date of May 1, 2033. Regarding the Series 2005 Bond claims with respect to off roll property owned by the Developer, it shall have a new par amount equal to the outstanding amounts plus unpaid and accrued interest. The Series 2005 Bond continues with a coupon rate of 6%, commencing on May 1, 2013 as the first payment date with the maturity date of May 1, 2038.

During the current fiscal year, the District and the Bondholder entered a Bondholder consent agreement to extend the first debt service payment for both Series 2002AB and Series 2005 due on May 1, 2013 to May 1, 2014 without additional accrued interests.

#### **NOTE 10 – DEVELOPER TRANSACTIONS**

The Developer owns significant portions of land within the District; therefore, assessment revenues in the general and debt service funds include the assessments levied on those lots owned by the Developer.

For the fiscal year ended September 30, 2013, the Developer paid \$580,543 in assessments which have been recorded as revenue in the general fund.

#### **NOTE 11 – RELATED ENTITY TRANSACTIONS**

The District shares the same Developer as Fiddler's Creek Community Development District 2. The District has a receivable in the amount of \$19,947 from Fiddler's Creek Community Development District 2 for shared costs as of September 30, 2013.

#### **NOTE 12 – DEFICIT FUND EQUITY**

The District has government-wide net position (deficit) of (\$2,162,456) as of September 30, 2013. The District also has deficit fund balances of (\$297,766) in the Series 2005 debt service fund and (\$108,151) in the capital project fund.

#### **NOTE 13 – MANAGEMENT COMPANY**

The District has contracted with Wrathell, Hunt and Associates 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 14 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

#### **NOTE 15 – LITIGATION AND CLAIMS**

In the prior fiscal year, the District notified U.S. Bank (the "Trustee") under the District's 2005 Series Bonds that it seeks recourse as to replenishing the Series 2005 Bonds construction account and protection from overdraft charges. As of the report date, the outcome cannot be determined and, therefore, no amounts related to this matter have been reflected in the financial statements.

During the current fiscal year, the District and the Bondholder had sought the appointment of a new trustee to replace the current Trustee. However, due to a claim in August 2013 that the District still owes approximately \$462,000 of unpaid trustee fees and legal expenses to the Trustee with regard to the Series 2002AB and 2005 Bonds, the appointment had been delayed. The District intends to contest the assertion and claim of the Trustee. As of the report date, the outcome cannot be determined and, therefore, no amounts related to this matter have been reflected in the financial statements.

## **NOTE 16 – SUBSEQUENT EVENTS**

Subsequent to fiscal year end, the District has filed a motion to intervene in litigation currently pending in Circuit Court in Collier County involving U.S Bank, Fiddler’s Creek Community Development District 2 and numerous other parties (Fiddler Litigation).

In addition, the District, Bondholders, U.S Bank and Wilmington Trust entered an agreement of removal of predecessor trustee and appointment and acceptance of successor trustee on March 5, 2014. Per the agreement, U.S Bank was removed as the trustee, and Wilmington Trust was appointed as trustee effective March 17, 2014. Each party to this agreement expressly reserves all rights, remedies and claims it may have under the Indentures and/or applicable law; notwithstanding any provision herein to the contrary, nothing contained herein as a result of this agreement shall be construed against any Party in the Fiddler Litigation or in any other context. The District and each of the Bondholders jointly indemnify and hold harmless Wilmington Trust from all liability resulting from any claims may be asserted from U.S Bank.

Subsequent to year end the Series 2002 and 2005 were exchanged for Bonds in the amount of \$33,015,000.

**FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT 1  
COLLIER COUNTY, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	Budgeted Amounts <u>Original &amp; Final</u>	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>			
Assessments	\$ 1,831,128	\$ 1,853,850	\$ 22,722
Developer assessments	580,543	580,543	-
Interest	1,000	4,274	3,274
Miscellaneous income	10,000	9,307	(693)
Total revenues	<u>2,422,671</u>	<u>2,447,974</u>	<u>25,303</u>
<b>EXPENDITURES</b>			
Current:			
General government	325,719	377,310	(51,591)
Maintenance and operations	2,111,313	1,986,616	124,697
Capital outlay	13,733	13,733	-
Total expenditures	<u>2,450,765</u>	<u>2,377,659</u>	<u>73,106</u>
Excess (deficiency) of revenues over (under) expenditures	(28,094)	70,315	98,409
<b>OTHER FINANCING SOURCES</b>			
Interfund transfers in	-	19,277	19,277
Total other financing sources	<u>-</u>	<u>19,277</u>	<u>19,277</u>
Net change in fund balance	<u>\$ (28,094)</u>	89,592	<u>\$ 117,686</u>
Fund balance - beginning		<u>1,088,300</u>	
Fund balance - ending		<u>\$ 1,177,892</u>	

See notes to required supplementary information

**FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT 1  
COLLIER COUNTY, FLORIDA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

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

The actual general fund expenditures for the current fiscal year were lower than budgeted amounts due primarily to anticipated costs which were not incurred in the current fiscal year.



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

To the Board of Supervisors  
Fiddler's Creek Community Development District 1  
Collier County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Fiddler's Creek Community Development District 1, Collier County, Florida ("District") as of and for the fiscal year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 26, 2014, which includes and emphasis of matter paragraph.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

We noted certain matters that we reported to management of the District in a separate letter dated June 26, 2014.

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

## **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.

*Bhav & Associates*

June 26, 2014



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

To the Board of Supervisors  
Fiddler's Creek Community Development District 1  
Collier County, Florida

We have audited the accompanying basic financial statements of Fiddler's Creek Community Development District 1 ("District") as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated June 26, 2014, which includes an emphasis of matter paragraph.

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

In addition, we have issued our Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards and Chapter 10.550, Rules of the Auditor General* dated June 26, 2014. Disclosures in that report should be considered in conjunction with this management letter.

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General 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 Fiddler's Creek Community Development District 1, Collier County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Fiddler's Creek Community Development District 1, Collier 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.

*Grau & Associates*

June 26, 2014



## REPORT TO MANAGEMENT

### I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

#### Compliance Finding:

#### 2013-01 Reserve Requirement

Observation: The Series 2002A and B and the Series 2005 debt service reserve requirements were not met as of September 30, 2013.

Recommendation: We recommend that the District should continue its efforts to make the necessary arrangements to ensure funds are available to make debt service payments.

Management Response: As noted by the Auditor, the District is continuing its efforts to make the necessary arrangements to ensure funds are available to make debt service payments

### II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

2012-02 Filing Deficiency – matter resolved.

2009-01 Debt Service Reserve – matter continued in 2011, 2012 and is repeated in the current year as finding 2013-01.

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

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

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

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

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

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

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

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

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

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

## REPORT TO MANAGEMENT

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