

**FIDDLER'S CREEK COMMUNITY  
DEVELOPMENT DISTRICT #2**

**BASIC FINANCIAL STATEMENTS**

September 30, 2014

FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #2  
 BASIC FINANCIAL STATEMENTS  
 September 30, 2014

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BASIC  
FINANCIAL STATEMENTS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
Fiddler's Creek Community Development District #2  
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 #2 (the "District") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

CPA's + Trusted Advisors

**Opinion**

In our opinion the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities and each major fund of Fiddler's Creek Community Development District #2 as of September 30, 2014 and the changes in financial position and budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts 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.

*Keefe McCullough*  
KEEFE McCULLOUGH

Fort Lauderdale, Florida  
June 29, 2015

FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2014

Our discussion and analysis of Fiddler's Creek Community Development District #2's (the District) financial performance provides an overview of the District's financial activities for the years ended September 30, 2014 and 2013. Please read it in conjunction with the District's basic financial statements, which immediately follow this discussion.

**FINANCIAL HIGHLIGHTS**

The following are the highlights of financial activity for the year ended September 30, 2014:

- The District's total liabilities exceeded its assets at September 30, 2014 by \$ 44,988,046 (deficit).
- The District's total revenues were \$ 7,856,328, \$ 7,636,886 from non-ad valorem assessments, \$ 153,910 from developer contributions, \$ 62,808 from miscellaneous income and \$ 2,724 from interest income. The District's expenses for the year were \$ 10,853,138.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements.

**Government-Wide Financial Statements**

The government-wide financial statements, which consist of the following two 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 (deficit) presents information on all the District's assets and liabilities, with the difference between the two reported as net position (deficit). 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 District's net position changed during the 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 can be found on pages 7 and 8 of this report.

**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 has only one fund type: governmental funds.

FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2014

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 balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government'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 statement of revenues, expenditures, and changes in fund balances provide reconciliations to facilitate this comparison between governmental funds and governmental activities.

The governmental fund financial statements can be found on pages 9 through 13 of this report.

**Notes to Basic Financial Statements**

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 14 through 29 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of financial position. The following table reflects the condensed government-wide statement of net position (deficit) as of September 30, 2014 and 2013:

Fiddler's Creek Community Development District #2 Statement of Net Position (Deficit)		
	2014	2013
Current and other assets	\$ 8,443,387	\$ 13,802,115
Capital assets, net	40,587,799	41,153,635
Total assets	49,031,186	54,955,750
Other liabilities	12,096,858	12,706,062
Long-term liabilities	81,752,671	84,240,924
Total liabilities	93,849,529	96,946,986
Total deferred inflows of resources	169,703	-
Net position (deficit):		
Net investment in capital assets	(32,218,100)	(27,823,146)
Restricted for debt service	1,346,379	3,785,813
Unrestricted	(14,116,325)	(17,953,903)
Total net position (deficit)	\$ (44,988,046)	\$ (41,991,236)

FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2014

**Governmental Activities**

Governmental activities for the year ended September 30, 2014 increased the District's net position (deficit) by \$ 2,996,810, as reflected in the table below:

	2014	2013
REVENUES:		
Program revenue:		
Non-ad valorem assessments	\$ 7,636,886	\$ 5,550,990
Developer contributions	153,910	-
General revenue:		
Miscellaneous income	62,808	18,272
Interest income	2,724	4,629
Total revenues	7,856,328	5,573,891
EXPENSES:		
Interest expense	7,343,132	4,033,967
Physical environment	2,569,295	2,667,828
General government	940,711	617,824
Total expenses	10,853,138	7,319,619
Change in net position	(2,996,810)	(1,745,728)
NET POSITION (DEFICIT), BEGINNING OF YEAR,	(41,991,236)	(40,245,508)
NET POSITION (DEFICIT), END OF YEAR	\$ (44,988,046)	\$ (41,991,236)

**ANALYSIS OF THE GOVERNMENTAL FUNDS**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year. The General, Debt Service and Capital Project Funds comprise the total governmental funds. As of the end of the most current fiscal year, the District's governmental funds reported combined ending fund balance of \$ 4,991,090.



**FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #2**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
September 30, 2014

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

The District's investment in capital assets for its governmental activities as of September 30, 2014 amounts to \$ 40,587,799 net of accumulated depreciation and consists of land and improvements, infrastructure, buildings and improvements, equipment, and construction in progress.

At the end of the year, the District had total bonded debt outstanding of \$ 89,870,112. The District's debt represents bonds secured solely by a specified revenue source (i.e., revenue bonds).

Additional information on the District's long-term debt can be found in Note 5 on pages 20 through 24 of this report.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

There was an amendment to the September 30, 2014 budget. Actual expenditures exceeded budget due to certain litigation expenditures, including certain legal fees paid by the former Trustee without the District's consent in addition to various other increases and decreases to budgeted numbers. As more fully described in Note 10, the District filed suit seeking to recover these amounts. The District has filed an action to collect the money that was previously taken by the former Trustee for its legal fees from the construction and the remedial accounts.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Revenues for the fiscal year 2015 adopted budget for the General Fund of the District total \$ 1,745,846 while expenditures for the fiscal year 2015 adopted budget for the General Fund of the District total \$ 1,600,846. This provides for a \$ 145,000 addition to fund balance.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Fiddler's Creek Community Development District #2's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Fiddler's Creek Community Development District #2, 2300 Glades Road, #410W, Boca Raton, FL 33431.

FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #2  
STATEMENT OF NET POSITION (DEFICIT)  
September 30, 2014

	Governmental Activities
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 8,174,303
Prepaid expenses	237,689
Assessment receivable	22,333
Due from other governments	9,062
Capital assets:	
Non-depreciable	23,865,567
Depreciable, net	16,722,232
Total assets	49,031,186
 <b>LIABILITIES:</b>	
Accounts payable	205,040
Due to other governments	22,662
Due to Bondholder :	
Principal	1,097,937
Interest	2,015,922
Due to Developer	110,736
Accrued interest payable	1,625,057
Bonds payable, due within one year	7,019,504
Bonds payable, due in more than one year	81,752,671
Total liabilities	93,849,529
 <b>DEFERRED INFLOWS OF RESOURCES:</b>	
Deferred charge on exchange of bonds	169,703
 <b>NET POSITION (DEFICIT):</b>	
Net investment in capital assets	(32,218,100)
Restricted for debt service	1,346,379
Unrestricted	(14,116,325)
Total net position (deficit)	\$ (44,988,046)

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

FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #2  
STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2014

		Program Revenues			Governmental Activities
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenues (Expenses) and Change in Net Position (Deficit)	
FUNCTIONS/PROGRAMS:					
Governmental activities:					
Interest expense	\$ 7,343,132	\$ 6,122,968	\$ -	\$ -	\$ (1,220,164)
Physical environment	2,569,295	884,177	-	-	(1,685,118)
General government	940,711	629,741	153,910	-	(157,060)
Total governmental activities	\$ 10,853,138	\$ 7,636,886	\$ 153,910	\$ -	(3,062,342)
General revenues:					
Miscellaneous income					62,808
Interest income					2,724
Change in net position					(2,996,810)
Net position (deficit), October 1, 2013					(41,991,236)
Net position (deficit), September 30, 2014					\$ (44,988,046)

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

**FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #2**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**September 30, 2014**

ASSETS

	General Fund	Series 2003 Debt Service Fund	Series 2004 Debt Service Fund	Series 2005 Debt Service Fund	Series 2014 Debt Service Fund	Series 2003 Capital Projects Fund	Series 2004 Capital Projects Fund	Series 2005 Capital Projects Fund	Series 2014 Capital Projects Fund	Total Governmental Funds
<b>ASSETS:</b>										
Cash and cash equivalents	\$ 428,523	\$ 5,222,265	\$ 552,666	\$ 130,563	\$ 46,351	\$ 2	\$ -	\$ 17	1,793,916	\$ 8,174,303
Prepaid expenditures	12,667	225,022	-	-	-	-	-	-	-	237,689
Assessments receivable	9,009	11,687	326	1,311	-	-	-	-	-	22,333
Due from other governments	9,062	-	-	-	-	-	-	-	-	9,062
Due from other funds	-	263,915	551	27,824	-	-	-	-	-	292,290
<b>Total assets</b>	<b><u>\$ 459,261</u></b>	<b><u>\$ 5,722,889</u></b>	<b><u>\$ 553,543</u></b>	<b><u>\$ 159,698</u></b>	<b><u>\$ 46,351</u></b>	<b><u>\$ 2</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 17</u></b>	<b><u>1,793,916</u></b>	<b><u>\$ 8,735,677</u></b>

LIABILITIES AND FUND BALANCES

<b>LIABILITIES:</b>										
Accounts payable	\$ 177,751	\$ 24,535	\$ -	\$ 2,754	\$ -	\$ -	\$ -	\$ -	-	\$ 205,040
Due to other governments	22,662	-	-	-	-	-	-	-	-	22,662
Due to other funds	22,504	51	269,735	-	-	-	-	-	-	292,290
Due to Bondholder	-	3,113,859	-	-	-	-	-	-	-	3,113,859
Due to Developer	110,736	-	-	-	-	-	-	-	-	110,736
<b>Total liabilities</b>	<b><u>333,653</u></b>	<b><u>3,138,445</u></b>	<b><u>269,735</u></b>	<b><u>2,754</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>3,744,587</u></b>
<b>COMMITMENTS AND CONTINGENCIES (Notes 7 and 10)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES:</b>										
Restricted for debt service	-	2,584,444	283,808	156,944	46,351	-	-	-	-	3,071,547
Restricted for capital projects	-	-	-	-	-	2	-	17	1,793,916	1,793,935
Unassigned	125,608	-	-	-	-	-	-	-	-	125,608
<b>Total fund balance</b>	<b><u>125,608</u></b>	<b><u>2,584,444</u></b>	<b><u>283,808</u></b>	<b><u>156,944</u></b>	<b><u>46,351</u></b>	<b><u>2</u></b>	<b><u>-</u></b>	<b><u>17</u></b>	<b><u>1,793,916</u></b>	<b><u>4,991,090</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 459,261</u></b>	<b><u>\$ 5,722,889</u></b>	<b><u>\$ 553,543</u></b>	<b><u>\$ 159,698</u></b>	<b><u>\$ 46,351</u></b>	<b><u>2</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 17</u></b>	<b><u>1,793,916</u></b>	<b><u>\$ 8,735,677</u></b>

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

FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #2  
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION (DEFICIT)  
 September 30, 2014

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE  
 STATEMENT OF NET POSITION (DEFICIT) ARE DIFFERENT BECAUSE:

Total fund balances of governmental funds in the balance sheet, page 9	\$	4,991,090
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Capital assets used in governmental activities are not financial  
 resources and, therefore, are not reported in the funds:

The cost of capital assets is		53,707,724
Less accumulated depreciation		(13,119,925)

Deferrals on exchanges are not financial resources and,  
 therefore are not reported as applicable assets or  
 liabilities in the governmental funds:

Deferred charge on exchange of bonds		(169,703)
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Certain liabilities are not due and payable in the current period,  
 and therefore are not reported in the governmental funds:

Accrued interest payable		(1,625,057)
Governmental revenue bonds payable		<u>(88,772,175)</u>

NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES, PAGE 7	\$	<u><u>(44,988,046)</u></u>
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The accompanying notes to basic financial statements are an integral part of these statements.

**FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #2**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2014**

	General Fund	Series 2003 Debt Service Fund	Series 2004 Debt Service Fund	Series 2005 Debt Service Fund	Series 2014 Debt Service Fund	Series 2003 Capital Projects Fund	Series 2004 Capital Projects Fund	Series 2005 Capital Projects Fund	Series 2014 Capital Projects Fund	Total Governmental Funds
<b>REVENUES:</b>										
Non-ad valorem assessments	\$ 1,513,918	\$ 3,281,117	\$ 1,690,744	\$ 1,111,306	\$ 39,801	\$ -	\$ -	\$ -	\$ -	\$ 7,636,886
Interest income	1,445	745	121	61	-	59	-	272	21	2,724
Developer contributions	-	-	-	-	153,910	-	-	-	-	153,910
Miscellaneous income	62,808	-	-	-	-	-	-	-	-	62,808
<b>Total revenues</b>	<b>1,578,171</b>	<b>3,281,862</b>	<b>1,690,865</b>	<b>1,111,367</b>	<b>193,711</b>	<b>59</b>	<b>-</b>	<b>272</b>	<b>21</b>	<b>7,856,328</b>
<b>EXPENDITURES:</b>										
<b>Current:</b>										
General government	726,717	44,399	556	4,979	20,700	-	-	-	-	797,351
Physical environment	1,014,395	-	-	-	-	-	-	-	-	1,014,395
Capital outlay	15,439	-	-	-	-	-	-	650,166	323,459	989,064
<b>Debt service:</b>										
Principal	-	564,253	10,649,158	43,788,624	-	-	-	-	-	55,002,035
Interest	-	6,693,313	1,165,198	1,216,278	-	-	-	-	-	9,074,789
Bond issuance costs	-	-	-	-	143,360	-	-	-	-	143,360
<b>Total expenditures</b>	<b>1,756,551</b>	<b>7,301,965</b>	<b>11,814,912</b>	<b>45,009,881</b>	<b>164,060</b>	<b>-</b>	<b>-</b>	<b>650,166</b>	<b>323,459</b>	<b>67,020,994</b>
Excess (deficiency) of revenues over expenditures	(178,380)	(4,020,103)	(10,124,047)	(43,898,514)	29,651	59	-	(649,894)	(323,438)	(59,164,666)
<b>OTHER FINANCING SOURCES:</b>										
Transfers in	81,823	934,356	6,615	-	19,700	-	-	34,419	2,117,354	3,194,267
Transfers out	(16,700)	(17,742)	(7,885)	(58,075)	(3,000)	(934,356)	(6,614)	(2,149,895)	-	(3,194,267)
Proceeds from debt issuance	-	-	9,560,000	43,335,000	-	-	-	-	-	52,895,000
<b>Total other financing sources</b>	<b>65,123</b>	<b>916,614</b>	<b>9,558,730</b>	<b>43,276,925</b>	<b>16,700</b>	<b>(934,356)</b>	<b>(6,614)</b>	<b>(2,115,476)</b>	<b>2,117,354</b>	<b>52,895,000</b>
<b>Net change in fund balances</b>	<b>(113,257)</b>	<b>(3,103,489)</b>	<b>(565,317)</b>	<b>(621,589)</b>	<b>46,351</b>	<b>(934,297)</b>	<b>(6,614)</b>	<b>(2,765,370)</b>	<b>1,793,916</b>	<b>(6,269,666)</b>
<b>FUND BALANCES, October 1, 2013,</b>	<b>238,865</b>	<b>5,687,933</b>	<b>849,125</b>	<b>778,533</b>	<b>-</b>	<b>934,299</b>	<b>6,614</b>	<b>2,765,387</b>	<b>-</b>	<b>11,260,756</b>
<b>FUND BALANCES, September 30, 2014</b>	<b>\$ 125,608</b>	<b>\$ 2,584,444</b>	<b>\$ 283,808</b>	<b>\$ 156,944</b>	<b>\$ 46,351</b>	<b>\$ 2</b>	<b>\$ -</b>	<b>\$ 17</b>	<b>\$ 1,793,916</b>	<b>\$ 4,991,090</b>

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

FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #2  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2014

NET CHANGES IN FUND BALANCES - TOTAL  
GOVERNMENTAL FUNDS, PAGE 11 \$ (6,269,666)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives:

Expenditures for capital assets	989,064
Less current year provision for depreciation	(1,554,900)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal long-term debt consumes the current financial resources of governmental funds.

Proceeds from debt issuance	(52,895,000)
Bond payments	55,002,035

Certain items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Change in accrued interest payable	1,730,424
Provision for amortization of deferred charge on exchange of bonds	<u>1,233</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES, PAGE 8 \$ (2,996,810)

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

**FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #2**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual	Variance
<b>REVENUES:</b>				
Non-ad valorem assessments	1,530,126	\$ 1,534,685	\$ 1,513,918	\$ (20,767)
Interest income	1,000	1,445	1,445	-
Miscellaneous income	-	62,808	62,808	-
Total revenues	1,531,126	1,598,938	1,578,171	(20,767)
<b>EXPENDITURES:</b>				
Current:				
General government:	268,033	706,865	726,717	(19,852)
Physical environment	1,106,093	1,014,139	1,014,395	(256)
Capital outlay	-	15,439	15,439	-
Total expenditures	1,374,126	1,736,443	1,756,551	(20,108)
Excess of revenues over expenditures	157,000	(137,505)	(178,380)	(40,875)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	81,823	81,823	-
Transfers out	-	(16,700)	(16,700)	-
Total financing sources (uses)	-	65,123	65,123	-
Net change in fund balance	157,000	(72,382)	(113,257)	(40,875)
FUND BALANCE, October 1, 2013	238,865	238,865	238,865	-
FUND BALANCE, September 30, 2014	395,865	\$ 166,483	\$ 125,608	\$ (40,875)

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



FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #2  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2014

NOTE 1 - ORGANIZATION AND OPERATIONS

Fiddler's Creek Community Development District #2 (the District) was established November 19, 2002 under the provisions of Chapter 190 of the Florida Statutes by the Collier County Board of County Commissioners. The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of the infrastructure necessary for community development within its jurisdiction. The District is authorized to issue bonds for the purpose, among others, of financing, funding, planning, establishing, acquiring, constructing or reconstructing, enlarging or extending, equipping, operating and maintaining water management, water supply, sewer and wastewater management, bridges or culverts, roads, landscaping, street lights and other basic infrastructure projects within or without the boundaries of the Fiddler's Creek Community Development District #2. The District is governed by a five-member Board of Supervisors who are elected for four year terms.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The District's more significant accounting policies are described below:

The financial reporting entity:

The criteria used for including component units consist of identification of legally separate organizations for which the Board of Supervisors of the District are financially accountable. This criteria also includes identification of organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete. Based upon this review, there were no potential component units of the District.

Basis of presentation:

FINANCIAL STATEMENTS - GOVERNMENT-WIDE STATEMENTS

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

In the government-wide statement of net position, the governmental activities column is presented on a consolidated basis, if applicable, and is reported on a full-accrual, economic resource basis, which recognizes all noncurrent assets and receivables as well as all noncurrent debt and obligations, when and if applicable.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The net costs, by function, are also supported by general revenues, other revenue, etc. The statement of activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflect capital-specific grants. For the year ended September 30, 2014, the District had \$ 7,790,796 in program revenues.

FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #2  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

This government-wide focus is more on the ability to sustain the District as an entity and the change in the District's net position resulting from the current year's activities.

FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds. The operations of the funds are accounted for with separate self-balancing accounts that comprise their assets, liabilities, fund equity, revenues and expenditures.

The District reports the following major governmental funds:

**General Fund** - This fund is used to account for all operating activities of the District. At this time, revenues are derived principally from non-ad valorem assessments and interest income.

**Debt Service Fund** - These funds are used to account for the accumulation of resources for and the payment of long-term debt principal and interest.

**Capital Projects Fund** - These funds are used to account for financial resources segregated for the acquisition or construction of capital facilities other than those financed by enterprise operations, if applicable.

Measurement focus, basis of accounting and presentation:

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the basic financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. Governmental funds use the current financial resources measurement focus and the government-wide statements use the economic resources measurement focus.

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental fund financial statements are presented on the modified accrual basis of accounting under which revenue is recognized in the accounting period in which it becomes susceptible to accrual (i.e., when it becomes both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current year.

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

Budget:

A budget is adopted for the General Fund and Debt Service Funds on an annual basis. Appropriations lapse at fiscal year-end. Changes or amendments to the total budgeted expenditures of the District must be approved by the District Board of Supervisors.

FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #2  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2014

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. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to October 1, the budget is legally adopted by the District Board.
- d. The budgets are adopted on a basis consistent with generally accepted accounting principles.

Cash and cash equivalents:

Cash and cash equivalents are defined as demand deposits, money market accounts, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments:

Investments, if held, are stated at their fair value, which is based on quoted market prices. Unrealized gains and losses in fair value are recognized. Certain money market investments are stated at amortized cost if they have a remaining maturity of one year or less when purchased.

Capital assets:

Capital assets are reported in the governmental activities column in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$ 750 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 asset lives are not capitalized.

Assessments:

Assessments are non-ad valorem assessments on all property within the District. Assessments are levied each November 1 on property as of the previous January 1. Certain assessments are collected upon closing on each lot sold and are used to prepay a portion of the Bonds outstanding. In addition, annual assessments are levied and collected to provide funds for the debt service on the portion of the Bonds which are not paid for from the prepaid assessments and to pay for the operations and maintenance of the District. The fiscal year for which annual assessments are levied begins on October 1 with a maximum discount available for payments through February 28 and become delinquent on April 1.

Assessments on all non-platted lots within the District are directly billed to the Developer.

FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #2  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred outflows/inflows of resources:

In addition to assets, the statement of financial position will sometimes report 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 items that qualify for reporting in this category.

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 has one item that qualifies for reporting in this category. It is a deferred gain on exchange that results from the difference in the carrying value of the exchanged debt and its reacquisition price. This amount is deferred and amortized over the life of the exchanged debt.

Equity classifications:

*Government-wide statements*

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net position - consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - all other net position that do not meet the definition of "restricted" or "net investment in capital assets."

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.

*Fund statements*

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* requires that governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District classifies prepaid items and deposits as nonspendable since they are not expected to be converted to cash or are not expected to be converted to cash within the next year.

FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #2  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District Board of Supervisors (the "Board"). These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the District Manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District classifies existing fund balance to be used in the subsequent year's budget for elimination of a deficit as assigned.

Unassigned: This classification includes the residual fund balance for the General Fund.

The District would typically use restricted fund balances first, followed by committed fund balances, assigned fund balances, and finally unassigned fund balances.

Date of management review:

Subsequent events have been evaluated through June 29, 2015, which is the date the financial statements were available to be issued.

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits

The District's deposits must be placed with banks and savings and loans which are qualified as public depositories prior to receipt of public monies under Chapter 280, Florida Statutes. These deposits are insured by the FDIC up to \$ 250,000. Monies deposited in amounts greater than the insurance coverage are secured by the banks pledging securities with the State Treasurer in the collateral pool. At year end, the carrying amount of the District's General Fund deposits was \$ 428,523 and the bank balance was \$ 429,213.

FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #2  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 September 30, 2014

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Investments:

The investment of funds is authorized by Florida Statutes, which allows the District to invest in the Local Government Surplus Funds Trust or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, SEC registered money market funds with the highest credit quality rating, interest-bearing time deposits or savings accounts in qualified public depositories and direct obligations of the U.S. Treasury. Investments of the Debt Service and Capital Projects Funds are governed by the Bond Indenture.

Investments as of September 30, 2014 of \$ 7,745,780 were in money market mutual funds. These deposits and investments are reflected in the accompanying statement of net position and balance sheet - governmental funds in cash and cash equivalents.

Credit risk:

Florida Statutes require the money market mutual funds held by the District to have the highest credit quality rating from a nationally recognized rating agency. The money market mutual funds held by the District are rated A+ by Standard and Poor's.

Interest rate risk:

Florida Statutes state that the investment portfolio be structured in such manner as to provide sufficient liquidity to pay obligations as they come due. The average maturity of the money market fund is 50 days.

Custodial credit risk:

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2014, the District's investments were not subject to custodial credit risk.

NOTE 4 - CAPITAL ASSETS

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

	Balance at October 1, 2013	Additions	Deletions	Balance at September 30, 2014
<b>Governmental Activities:</b>				
Capital assets, not being depreciated				
Land and improvements	\$ 16,226,776	\$ -	\$ -	\$ 16,226,776
Construction-in-progress	7,623,352	15,439	-	7,638,791
Total capital assets, not being depreciated	<u>23,850,128</u>	<u>15,439</u>	<u>-</u>	<u>23,865,567</u>

**FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2014

**NOTE 4 - CAPITAL ASSETS (continued)**

	Balance at October 1, 2013	Additions	Deletions	Balance at September 30, 2014
Capital assets, being depreciated:				
Infrastructure	16,100,762	973,625	-	17,074,387
Buildings and improvements	12,760,696	-	-	12,760,696
Equipment	7,074	-	-	7,074
Total capital assets, being depreciated	<u>28,868,532</u>	<u>973,625</u>	<u>-</u>	<u>29,842,157</u>
Total capital assets	<u>52,718,660</u>	<u>989,064</u>	<u>-</u>	<u>53,707,724</u>
Less accumulated depreciation for:				
Infrastructure	4,968,087	630,361	-	5,598,448
Equipment	1,180	1,769	-	2,949
Buildings and improvements	6,595,758	922,770	-	7,518,528
Total accumulated depreciation	<u>11,565,025</u>	<u>1,554,900</u>	<u>-</u>	<u>13,119,925</u>
Total capital assets, being depreciated, net	<u>17,303,507</u>	<u>(581,275)</u>	<u>-</u>	<u>16,722,232</u>
Governmental activities capital assets, net	\$ <u>41,153,635</u>	\$ <u>(565,836)</u>	\$ <u>-</u>	\$ <u>40,587,799</u>

Provision for depreciation was charged to functions as follows:

Governmental Activities:	
Physical environment	\$ <u>1,554,900</u>

**NOTE 5 - LONG-TERM DEBT**

a. Summary of Long-Term Debt of Governmental Activities

Long-term debt of the governmental activities at September 30, 2014 is comprised of the following bond issues:

Special Assessment Revenue Bonds, Series 2003A; due in annual installments through May 2035; interest payable semiannually at 6.00% through November 2016 and then at 6.375%.	\$ 26,582,700
Special Assessment Revenue Bonds, Series 2003B; due in one lump-sum payment November 2014; interest payable semiannually at 5.75%.	4,197,412
Special Assessment Bonds, Series 2004; due in annual installments through May 2037; interest payable semiannually at 6.75%.	3,510,000
Special Assessment Bonds, Series 2005; due in annual installments through May 2038; interest payable semiannually at 6.00%.	2,685,000



FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #2  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2014

NOTE 5 - LONG-TERM DEBT (continued)

Special Assessment Revenue Bonds, Series 2014-1; due in annual installments through May 2037; interest payable semiannually at 6.75% through November 2016.	9,560,000
Special Assessment Revenue Bonds, Series 2014-2; due in annual installments through May 2038; interest payable semiannually at 6.00%.	16,165,000
Special Assessment Bonds, Series 2014-3; due in annual installments through May 2038; interest payable semiannually at 6.00%.	16,170,000
Special Assessment Bonds, Series 2014-4; due in annual installments through May 2038; interest payable semiannually at 6.00%.	<u>11,000,000</u>
	<u>\$ 89,870,112</u>

The following is a summary of changes in governmental activities long-term debt for the year ended September 30, 2014:

	Balance October 1, 2013	Additions	Deletions	Balance September 30, 2014	Due Within One Year
Special Assessment Revenue Bonds, Series 2003A	\$ 26,582,700	\$ -	\$ -	\$ 26,582,700	\$ 1,697,092
Special Assessment Revenue Bonds, Series 2003B	4,197,412	-	-	4,197,412	4,197,412
Special Assessment Revenue Bonds, Series 2004	14,492,765	-	10,982,765	3,510,000	65,000
Special Assessment Revenue Bonds, Series 2005	46,490,953	-	43,805,953	2,685,000	50,000
Special Assessment Revenue Bonds, Series 2014-1	-	9,560,000	-	9,560,000	180,000
Special Assessment Revenue Bonds, Series 2014-2	-	16,165,000	-	16,165,000	310,000
Special Assessment Revenue Bonds, Series 2014-3	-	16,170,000	-	16,170,000	310,000
Special Assessment Revenue Bonds, Series 2014-4	-	<u>11,000,000</u>	-	<u>11,000,000</u>	<u>210,000</u>
	<u>\$ 91,763,830</u>	<u>\$ 52,895,000</u>	<u>\$ 54,788,718</u>	<u>\$ 89,870,112</u>	<u>\$ 7,019,504</u>



FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #2  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2014

NOTE 5 - LONG-TERM DEBT (continued)

b. Summary of Significant Debt Terms of Governmental Activities

**Special Assessment Revenue Bonds, Series 2003A** - The District previously issued \$ 26,385,000 in Special Assessment Revenue Bonds, Series 2003A for the purpose of funding certain projects within the boundaries of the District. The Bonds are payable in annual principal installments through May 2035. Interest at 6.00% is payable semiannually on the first day of each May and November through 2016 and at 6.375% thereafter.

The District is required by the Bond Indenture to levy and collect special assessments pursuant to Florida Statutes, Section 190.022. The collection of these assessments is restricted and applied to the debt service requirements of the Bond Issue. Further, the District covenants to levy special assessments in annual amounts adequate to provide for payment of principal and interest on the Bonds as they become due.

The Bonds are subject to mandatory redemption at par plus accrued interest to the date of redemption on a schedule of annual redemptions through May 2035, the maturity date. The District is required to redeem the Bonds at par prior to schedule from the proceeds of any assessments prepaid or if certain events occur as outlined in the Bond Indenture. The Bonds are subject to redemption at the option of the District at par plus accrued interest from payment date to the redemption date on or after May 1, 2013.

The Indenture requires a reserve fund equal to 7.47% of the 2003A Bonds outstanding. As of September 30, 2014, the reserve fund account balance was not sufficient to satisfy this requirement.

**Special Assessment Revenue Bonds, Series 2003B** - The District previously issued \$ 9,905,000 in Special Assessment Revenue Bonds, Series 2003B for the purpose of funding certain projects within the boundaries of the District. The Bonds are payable in one principal installment in November 2014. Interest at 5.75% is payable semiannually on the first day of each May and November.

The District is required by the Bond Indenture to levy and collect special assessments pursuant to Florida Statutes, Section 190.022. The collection of these assessments is restricted and applied to the debt service requirements of the Bond Issue. Further, the District covenants to levy special assessments in annual amounts adequate to provide for payment of principal and interest on the Bonds as they become due.

The Bonds are not subject to mandatory redemption prior to their scheduled maturity. The District is required to redeem the Bonds at par prior to schedule from the proceeds of any assessments prepaid or if certain events occur as outlined in the Bond Indenture.

The Indenture requires a reserve fund equal to 11.19% of the 2003B Bonds outstanding. As of September 30, 2014, the reserve fund account balance was not sufficient to satisfy this requirement.

There is a dispute between the Series 2003A and 2003B bondholders as to the amounts due to each and when those sums are due. See Note 10 for a disclosure of this dispute.

FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #2  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2014

NOTE 5 - LONG-TERM DEBT (continued)

**Special Assessment Bonds, Series 2004** - The District previously issued \$ 13,145,000 in Special Assessment Bonds, Series 2004 for the purpose of funding certain projects within the boundaries of the District. During the year, the District exchanged a portion of the Series 2004 for the Series 2014-1 Bonds. After the consummation of the exchange, \$ 3,510,000 of Series 2004 Bonds remains outstanding. The Bonds are payable in annual principal installments through May 2037. Interest at 6.75% is payable semiannually on the first day of each May and November.

The District is required by the Bond Indenture to levy and collect special assessments pursuant to Florida Statutes, Section 190.022. The collection of these assessments is restricted and applied to the debt service requirements of the Bond Issue. Further, the District covenants to levy special assessments in annual amounts adequate to provide for payment of principal and interest on the Bonds as they become due.

The Bonds are subject to mandatory redemption at par plus accrued interest to the date of redemption on a schedule of annual redemptions through May 2037, the maturity date. The District is required to redeem the Bonds at par prior to the schedule from the proceeds of any assessments prepaid or if certain events occur as outlined in the Bond Indenture. The Bonds are subject to redemption at the option of the District at a premium on or before May 1, 2015 and at par on or after May 1, 2016.

The Bond Indenture requires a reserve fund equal to \$ 50,000. As of September 30, 2014, the reserve fund account balance was sufficient to satisfy this requirement.

**Special Assessment Bonds, Series 2005** - The District previously issued \$ 38,850,000 in Special Assessment Bonds, Series 2005 for the purpose of funding certain projects within the boundaries of the District. During the year, the District exchanged a portion of the Series 2005 for the Series 2014-2, 2014-3 and 2014-4 Bonds. After the consummation of the exchange, \$ 2,685,000 of Series 2005 Bonds remains outstanding. The Bonds are payable in annual principal installments through May 2038. Interest at 6.00% is payable semiannually on the first day of each May and November.

The District is required by the Bond Indenture to levy and collect special assessments pursuant to Florida Statutes, Section 190.022. The collection of these assessments is restricted and applied to the debt service requirements of the Bond Issue. Further, the District covenants to levy special assessments in annual amounts adequate to provide for payment of principal and interest on the Bonds as they become due.

The Bonds are subject to mandatory redemption at par plus accrued interest to the date of redemption on a schedule of annual redemptions through May 2038, the maturity date. The District is required to redeem the Bonds at par prior to the schedule from the proceeds of any assessments prepaid or if certain events occur as outlined in the Bond Indenture. The Bonds are subject to redemption at the option of the District at a premium on or before May 1, 2016 through April 30, 2017 and at par on or after May 1, 2017.

The Bond Indenture requires a reserve fund equal to \$ 50,000. As of September 30, 2014, the reserve fund account balance was sufficient to satisfy this requirement.

**FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2014

NOTE 5 - LONG-TERM DEBT (continued)

**Special Assessment Bonds, Series 2014** - During the year, the District issued \$ 9,560,000 in Special Assessment Revenue Bonds Series 2014-1 for the purpose of exchanging a portion of the Special Assessment Revenue Bonds, Series 2004. The Bonds are payable in annual principal installments through May 2037. Interest at 6.75% is payable semiannually on the first day of each May and November.

The District is required by the Bond Indenture to levy and collect special assessments pursuant to Florida Statutes, Section 190.022. The collection of these assessments is restricted and applied to the debt service requirements of the Bond Issue. Further, the District covenants to levy special assessments in annual amounts adequate to provide for payment of principal and interest on the Bonds as they become due.

The Bonds are subject to mandatory redemption at par plus accrued interest to the date of redemption on a schedule of annual redemptions through May 2037, the maturity date. The District is required to redeem the Bonds at par prior to schedule from the proceeds of any assessments prepaid or if certain events occur as outlined in the Bond Indenture. The Bonds are subject to redemption at the option of the District at par on or after May 1, 2021.

During the year, the District also issued \$ 43,335,000 in Special Assessment Revenue Bonds Series 2014-2, 2014-3 and 2014-4 for the purpose of exchanging a portion of the Special Assessment Revenue Bonds, Series 2005. The Bonds are payable in annual principal installments through May 2038. Interest at 6.00% is payable semiannually on the first day of each May and November.

The District is required by the Bond Indenture to levy and collect special assessments pursuant to Florida Statutes, Section 190.022. The collection of these assessments is restricted and applied to the debt service requirements of the Bond Issue. Further, the District covenants to levy special assessments in annual amounts adequate to provide for payment of principal and interest on the Bonds as they become due.

The Bonds are subject to mandatory redemption at par plus accrued interest to the date of redemption on a schedule of annual redemptions through May 2038, the maturity date. The District is required to redeem the Bonds at par prior to schedule from the proceeds of any assessments prepaid or if certain events occur as outlined in the Bond Indenture. The Bonds are subject to redemption at the option of the District at par on or after May 1, 2021.

As of September 30, 2014, the annual debt service requirements for the Series 2003, 2004, 2005 and 2014 Special Assessment Revenue Bonds are approximately as follows:

Year Ending September 30,	Principal	Interest	Total
2015	\$ 7,019,504	\$ 6,597,713	\$ 13,617,217
2016	1,836,217	5,158,160	6,994,377
2017	1,956,879	5,046,036	7,002,915
2018	2,076,451	4,923,985	7,000,436
2019	2,213,957	4,794,443	7,008,400
2020-2024	13,414,378	21,711,927	35,126,305
2025-2029	18,304,870	16,951,942	35,256,812
2030-2034	25,014,647	10,447,324	35,461,971
2035-2038	18,033,209	2,542,930	20,576,139
	<u>\$ 89,870,112</u>	<u>\$ 78,174,460</u>	<u>\$ 168,044,572</u>

FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #2  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 September 30, 2014

NOTE 6 - RISK MANAGEMENT

The District purchased an insurance policy that provided coverage of up to a \$ 1,000,000 maximum for each general liability occurrence in combination with a maximum annual aggregate coverage of approximately \$ 2,000,000 for the policy year ending September 30, 2014. Other insurance policies carried by the District during the year included automobile, public official's liability and employment practices liability. Deductible amounts ranged from \$ 0 to \$ 2,500. Settlement amounts have not exceeded insurance coverage during the last three (3) fiscal years.

NOTE 7 - COMMITMENTS

The District has committed to acquire those portions of the improvements which have been completed by the Developer for the actual reasonable costs incurred by the Developer up to the amounts available in Series 2003, 2004, 2005 and 2014 Capital Project Funds.

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A summary of due to/from funds for the year ended September 30, 2014 is as follows:

	Receivables	Payables
General Fund	\$ -	\$ 22,504
Series 2003 Debt Service Fund	263,915	51
Series 2004 Debt Service Fund	551	269,735
Series 2005 Debt Service Fund	27,824	-
	\$ 292,290	\$ 292,290

These balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems and (3) payments between funds are actually made.

A summary of interfund transfers for the year ended September 30, 2014, is as follows:

	Transfer In	Transfer Out
General Fund	\$ 81,823	\$ 16,700
Series 2003 Debt Service Fund	934,356	17,742
Series 2004 Debt Service Fund	6,615	7,885
Series 2005 Debt Service Fund	-	58,075
Series 2014 Debt Service Fund	19,700	3,000
Series 2003 Capital Project Fund	-	934,356
Series 2004 Capital Project Fund	-	6,614
Series 2005 Capital Project Fund	34,419	2,149,895
Series 2014 Capital Project Fund	2,117,354	-
	\$ 3,194,267	\$ 3,194,267

FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #2  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2014

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (continued)

The transfer out of the 2003 Capital Project Fund was to make debt service payments and the transfer out of the 2004 Capital Project Fund was to replenish the reserve account in the Debt Service Fund. The transfer out of the 2005 Capital Project Fund was to fund the new 2014 Capital Project Fund and to reimburse the General Fund for prior construction costs.

The transfers out of the Debt Service Funds for \$ 52,283 were to the General Fund for reimbursements of Trustee legal fees paid by the General Fund and the remaining \$ 34,419 was to the 2005 Capital Project Fund.

The transfer out of the General Fund was to the Series 2014 Debt Service Fund to pay Trustee fees.

NOTE 9 - NET POSITION (DEFICIT)

The District has a government-wide net position deficit of \$ 44,988,046 as of September 30, 2014. The deficit relates to the accrual of certain expenses, principally interest, which are not currently recorded in the fund statements. When recognized as expenditures in the fund statements, they will be recovered from the Developer or through assessment to benefitted property owners. The deficit also relates to various infrastructure improvements, such as the water and sewer lines, which have been financed through the issuance of long-term debt, but were conveyed to other governmental entities.

NOTE 10 - CONTINGENCIES

Developer reorganization:

In prior years, the Developer was unable to provide the District with non-ad valorem special assessments sufficient to satisfy debt service requirements.

In February 2010, the Developer of the District, Fiddler's Creek, LLC and its affiliates filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code. On August 29, 2011, the Bankruptcy Court entered an order confirming Fiddler's Creek, LLC's second amended Plan of Reorganization, as modified. The Plan provides for the Developer to emerge from bankruptcy, implement the Plan of Reorganization and develop the property within the District. The court approved a de-acceleration of the bonds outstanding, a two-year moratorium in regard to the commencement of payments on certain of the "off-roll" bond claims. The court specifically considered the \$ 45 million "exit financing" in determining that the plan of reorganization is feasible.

In addition, the Plan calls for amounts due to the District 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. As a result, unpaid and accrued interest totaling \$ 13,159,539 was added to the outstanding bond principal balances during the periods ended September 30, 2012.

FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #2  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2014

NOTE 10 - CONTINGENCIES (continued)

The District is the Plaintiff in an action styled *Fiddler's Creek Community Development District 2 v. U.S. Bank National Association, as Trustee, The ITG Tax Free Income & Capital Appreciation Fund, Ltd., ITG Fund II, LLLP, ITG Fund Management, Inc. and Oppenheimer Funds, Inc.*, Collier County Circuit Court Case No. 11-CA-003947 (the "Contract Action"). Therein, the District sued the Trustee for the misappropriation by U.S. Bank of approximately \$ 1,325,000.00 from a trust account which was earmarked solely for infrastructure construction and for its failure and refusal to fund construction draw requests both in violation of the parties' Trust Indenture. Additionally, the District sued certain current and former bondholders, the ITG entities and Oppenheimer, for their part in the conspiracy with the Trustee to commit the aforementioned misappropriation. In response, the Trustee alleges the District defaulted on certain special assessment revenue bonds; therefore, the Trustee is justified in its conduct. Notably, the Trustee has not accelerated the bond indebtedness.

In the Contract Action, the District was successful in obtaining an order from the Court which required U.S. Bank to pay all past-due construction draw requests which had been duly-certified by the District Engineer. U.S. Bank appealed. Accordingly, the District was the appellee in an interlocutory appeal brought by the Trustee before the Second District Court of Appeal styled *U.S. Bank National Association, as Trustee v. Fiddler's Creek Community Development District 2, et al*, Second District Court of Appeal Case No. 2D13-706 (the "Appeal"). Following the submission of competing briefs and oral argument, the District prevailed. The ruling from the lower court in the Contract Action was affirmed on September 20, 2013. The deadline for the Trustee to seek rehearing of the appellate court's opinion has passed, and a mandate was entered on October 10, 2013. As a result, the District has received \$ 145,000 from U.S. Bank which represents all of the accrued and unpaid construction draw requests which has previously and impermissibly been withheld by U.S. Bank. Further, in December 2014, the District settled its dispute with Oppenheimer in the Contract Action. Pursuant to the settlement, the District received \$ 50,000 toward the reasonable fees, expenses and costs incurred by the District and the District's counsel in the Contract Action. The District's claims and defenses against US Bank and ITG remain pending.

The District is a Defendant and Counterplaintiff in an action styled *U.S. Bank National Association, as Trustee of the Fiddler's Creek Community Development District 2 Special Assessment Revenue Bonds, Series 2003A and Series 2003B, Series 2004 and Series 2005 v. Fiddler's CDD Investor, LLC; Fiddler's CDD Investor II, LLC; Fiddler's Creek Community Development District 2; and Wilmington Trust, National Association*, Collier County Circuit Court Case No. 13-CA-1143 (hereinafter referred to as the "Declaratory Action"). On March 8, 2013, U.S. Bank was advised that it had been terminated as Trustee by the District and by the Co-Defendants, Fiddler's CDD Investor, LLC and Fiddler's CDD Investor II, LLC (collectively, the "Bondholders"), and that Co-Defendant, Wilmington Trust, National Association ("Wilmington") had accepted the appointment as successor Trustee. Notwithstanding, the termination of U.S. Bank and acceptance by Wilmington, all done in accordance with the clear and unambiguous terms of the Master Indenture, U.S. Bank has steadfastly refused to turn over the trust property to Wilmington. Rather, U.S. Bank filed the Declaratory Action for declaratory judgment, feigning to be in doubt of its rights under the Master Indenture, and refusing to turn over the trust property until the Court adjudicates the manufactured "dispute" over the interpretation of the Indenture. The Declaratory Action has been consolidated with the Contract Action.



FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #2  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2014

NOTE 10 - CONTINGENCIES (continued)

In the Declaratory Action, the Bondholders have also asserted numerous counterclaims against U.S. Bank for the misappropriation by U.S. Bank of approximately \$ 2,000,000 from the District's Revenue and Reserve Account. Additionally, the Bondholders have sought the appointment of a receiver to safeguard these accounts from further dissipation by U.S. Bank. Similarly, the District has asserted counterclaims against U.S. Bank in the Declaratory Action regarding U.S. Bank's misappropriation of the construction account funds, and has joined in the Bondholders' demand for the appointment of a receiver. On January 15, 2014, U.S. Bank turned over the trust estate to Wilmington by agreement, and the efforts to have a receiver appointed became moot. Nevertheless, the Declaratory Action remains pending to date.

The District is a Third Party Defendant in an action styled *Wilmington Trust, National Association, as Successor Trustee vs. ITG Fund II, LLLP, Fiddler's Creek Community Development District 2, and Fiddler's Creek CDD Investor II / ITG Fund II, LLP vs. Fiddler's Creek Community Development District No. 2, Fiddler's Creek Investor, LLC, and Wilmington Trust, N.A.*, Case No. 2015-CA-2763 in the Circuit Court of the 20<sup>th</sup> Judicial Circuit in and for Collier County (hereinafter referred to as the "Third Party Action"). The District was initially sued by Wilmington Trust for as a defendant in its interpleader action. However, the District was subsequently dropped as a defendant as it had no claim to the specific funds sought by Wilmington to be interpled. Thereafter, on April 14, 2015, ITG filed a Third Party Complaint against the District seeking a declaratory judgment adjudicating the rights and obligations of ITG, the bondholders, the District and US Bank as to certain transfers and payments related to the 2003B Bonds. ITG also seeks an accounting with respect to the same purported disputed transfers and payments.

There was a dispute between the Series 2003A and 2003B bondholders as to the amounts due to each and when those amounts were due. As the third party responsible to make those payments, and in order to resolve these issues, the District filed an interpleader action alleging that it wanted to have the court determine the amounts due to each of A and B bondholders and when those bonds should be paid, so that the District could pay the appropriate amount to the appropriate parties at the appropriate times. Wilmington Trust then filed its own interpleader action and named the District as a defendant; but in the face of the District's motion to dismiss Wilmington's complaint, Wilmington then subsequently dropped the District as a defendant and amended its complaint in its interpleader action to make allegations the District required. Subsequently, ITG named the District in a third party complaint in the interpleader. The District has filed its answer in the interpleader case. However, the District is currently seeking to resolve differences in the principal balances of these bonds as determined by the District's consultant, AJC Associates, Inc. on behalf of the District and as determined by the staff of Wilmington Trust.

The District contends that the outstanding balances for the Special Assessment Revenue Bonds, Series 2003A and 2003B (Note 5) are less than the amounts reflected in the above statement of net position. The District gave instructions to the former and current Trustees to remit payments on those bond series which were not followed. The outstanding balances in the statement of net position would accurately reflect the lower amounts owed if the District's directives had been followed. This dispute is the subject of the pending interpleader action as discussed above. The calculations contained in the summary prepared by the District's consultant, AJC Associates, Inc., set forth the actual balances owing on the Series 2003A and Series 2003B as of September 30, 2014 to be \$ 23,980,833 and \$ 812,625, respectively.

FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #2  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2014

NOTE 11 - RELATED ENTITY TRANSACTIONS

The District has cost sharing agreements with Fiddler's Creek Community Development District 1 and shares the same Developer. The District has a payable in the amount of \$ 22,662 to Fiddler's Creek Community Development District 1 for shared costs as of September 30, 2014.

NOTE 12 - SUBSEQUENT EVENT

As of the date of issuance, the District has not made the November 2014 and May 2015 principal and interest payments for the Series 2003A and 2003B Bonds.



OTHER REPORTS OF  
INDEPENDENT AUDITORS

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 #2  
Collier County, Florida

We have audited, 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, the financial statements of the governmental activities and each major fund of Fiddler's Creek Community Development District #2 (the "District") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 29, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit, 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 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 District'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 of 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 instances of noncompliance due to the Series 2003A and 2003B Reserve Accounts reflecting deficits at September 30, 2014, subject, however, to events described in Note 10 and District's attempt's to recover funds from US Bank, and others.

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Recommendations. 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 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.

  
KEEFE McCULLOUGH

Fort Lauderdale, Florida  
June 29, 2015

## INDEPENDENT AUDITOR'S REPORT TO DISTRICT MANAGEMENT

To the Board of Supervisors  
Fiddler's Creek Community Development District #2  
Collier County, Florida

### Report on the Financial Statements

We have audited the financial statements of Fiddler's Creek Community Development District #2 (the "District"), as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated June 29, 2015.

### Auditor's Responsibility

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

### Other Reports

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 29, 2015, 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. The findings and recommendations made in the preceding annual financial audit report are repeated in the current fiscal year and are listed in the Schedule of Findings and Recommendations.

### 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 District was established on November 19, 2002 by Ordinance No. 02-61 of the Collier County Commission, pursuant to the provisions of Chapter 190, of the laws of the State of Florida. The District does not have any component units.

### **Financial Condition**

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In 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**

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2014, 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, 2014. In connection with our audit, we determined that these two reports were in agreement.

### **Other Matters**

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

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

### **Purpose of this Letter**

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

*Keefe McCullough*

KEEFE McCULLOUGH

Fort Lauderdale, Florida  
June 29, 2015

FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #2  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
September 30, 2014

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

**Other Matters:**

**Finding 2010-01**

**Condition:**

The Series 2003A and 2003B reserve accounts reflect deficits at September 30, 2014.

**Criteria:**

The bond indentures of the Special Assessment Revenue Bonds, Series 2003A and 2003B require a reserve account equal to a certain percentage of the bonds deemed outstanding.

**Effect:**

Non-compliance with bond covenants.

**Recommendation:**

We recommend that the District maintain the required reserve account balance.

**Management's Response:**

The District has disagreed with the determination pursuant to the two-year moratorium provided in the plan of reorganization approved by the bankruptcy court. The court approved the de-acceleration and the restructuring of the bonds. The Trustee has taken no action to enforce an alleged non-compliance. Management notes that the reserves have been reduced by the unauthorized misappropriation by the former Trustee. The principal balance of the bonds has been reduced by this amount.

**Finding 2013-01**

**Condition:**

The District did not meet the debt service requirements for the Special Assessment Revenue Bonds, Series 2003A and 2003B for the year ended September 30, 2014.

**Criteria:**

The covenants of the Special Assessment Revenue Bonds, Series 2003A and 2003B require the District to levy and collect special assessments in annual amounts adequate to provide for the payment of principal and interest on the Bonds as they become due.

FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #2  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
September 30, 2014

CURRENT YEAR FINDINGS AND RECOMMENDATIONS (continued)

**Effect:**

Noncompliance with bond covenants.

**Recommendation:**

We recommend that the District make the debt service payments when due.

**Management's Response:**

The Trustee had sufficient money to make the debt service payments and did not, subject to payments described in Note 10. The District has filed an interpleader action alleging that it wanted to have the court determine the amounts due to each of the Series 2003 A and B bondholders and when those bonds should be paid, so that the District could pay the appropriate amount to the appropriate parties at the appropriate times. The District will follow the ruling of the court when determined.

PRIOR YEAR FINDINGS AND RECOMMENDATIONS

**2010-01: Failure to maintain adequate reserve account balances** - Matter continued in 2014 and is repeated in the current year.

**2013-01: Failure to meet debt service requirements** - Matter continued in 2014 and is repeated in the current year.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH SECTION 218.415, FLORIDA STATUTES

To the Board of Supervisors  
Fiddler's Creek Community Development District #2  
Collier County, Florida

We have examined Fiddler's Creek Community Development District #2's (the "District") compliance with the requirements of Section 218.415, Florida Statutes, Local Government Investment Policies, during the year ended September 30, 2014. 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, 2014.

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.

*Keefe McCullough*  
KEEFE McCULLOUGH

Fort Lauderdale, Florida  
June 29, 2015