

Fiddler's Creek Community Development District #2

Basic Financial Statements
For the Year Ended September 30, 2019

**Keefe
McCullough**
CPA's + Trusted Advisors

Fiddler's Creek Community Development District #2

Table of Contents

Independent Auditor's Report	1-2
Management's Discussion and Analysis (Not Covered by Independent Auditor's Report)	3-6
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position (Deficit)	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet - Governmental Funds	9
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position (Deficit)	10
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	13
Notes to Basic Financial Statements	14-28
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	29-30
Independent Auditor's Report to District Management	31-32
Independent Accountant's Report on Compliance with Section 218.415, Florida Statutes	33

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, 2019, 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 opinion.

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of September 30, 2019, and the respective changes in financial position and the respective 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 24, 2020, 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 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.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
June 24, 2020

**Fiddler's Creek Community Development District #2
Management's Discussion and Analysis
September 30, 2019**

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, 2019 and 2018. 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, 2019:

- The District's total liabilities exceeded its assets at September 30, 2019 by \$ 19,058,399 (deficit)(net position). Subsequent to year end, the Series 2003A Bonds were refunded (Note 5).
- The District's total revenues were \$ 9,993,698 from non-ad valorem assessments, \$ 100,000 from operating grants and contributions, \$ 9,469 from miscellaneous income, \$ 352,400 from interest income and \$ 404,168 from gain on legal settlement of bonds. The District's expenses for the year were \$ 7,850,246. This resulted in a \$ 3,009,489 increase in net position.
- At the close of the current fiscal year, the District's governmental funds reported combined fund balances of \$ 4,069,297 a decrease of \$ 4,224,173 in comparison with the prior year.

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, 2019**

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 28 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, 2019 and 2018:

Fiddler's Creek Community Development District #2 Statement of Net Position (Deficit)		
	2019	2018
Assets:		
Current and other assets	\$ 9,061,102	\$ 24,624,654
Capital assets, net	41,023,455	42,595,954
Total assets	50,084,557	67,220,608
Liabilities:		
Other liabilities	8,453,959	25,801,398
Long-term liabilities	60,556,299	63,346,999
Total liabilities	69,010,258	89,148,397
Total deferred inflows of resources	132,698	140,099
Net Position (Deficit):		
Net investment in capital assets	(11,743,248)	(21,248,779)
Restricted for debt service	143,569	3,913,938
Unrestricted	(7,458,720)	(4,733,047)
Total net position (deficit)	\$ (19,058,399)	\$ (22,067,888)

**Fiddler's Creek Community Development District #2
Management's Discussion and Analysis
September 30, 2019**

The significant decrease in current and other assets is due to payment to the Series 2003A bondholders in excess of \$ 17,800,000.

Governmental Activities: Governmental activities for the year ended September 30, 2019 decreased the District's net position (deficit) by \$ 3,009,489, as reflected in the table below:

Fiddler's Creek Community Development District #2 Statement of Activities		
	2019	2018
Revenues:		
Program revenue:		
Non-ad valorem assessments	\$ 9,993,698	\$ 12,715,568
Operating grants and contributions	100,000	-
General revenue:		
Interest income	352,400	296,633
Miscellaneous income	9,469	318,355
Gain on legal settlement of bonds	404,168	1,632,700
Total revenues	10,859,735	14,963,256
Expenses:		
Interest expense	2,875,238	3,373,453
Physical environment	3,822,376	2,850,213
General government	1,152,632	545,586
Total expenses	7,850,246	6,769,252
Change in net position	3,009,489	8,194,004
Net Position (Deficit), Beginning of Year	(22,067,888)	(30,261,892)
Net Position (Deficit), End of Year	\$ (19,058,399)	\$ (22,067,888)

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 \$ 4,069,297.

Capital Assets and Debt Administration

The District's investment in capital assets for its governmental activities as of September 30, 2019 amounts to \$ 41,023,455 net of accumulated depreciation and consists of land and improvements, infrastructure, buildings and improvements and equipment.

**Fiddler's Creek Community Development District #2
Management's Discussion and Analysis
September 30, 2019**

At the end of the year, the District had total bonded debt outstanding of \$ 66,171,299. 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 25 of this report.

General Fund Budgetary Highlights

There were no changes to the September 30, 2019 budget. Actual revenues were over the budget while actual expenditures were under budget which resulted in a positive \$ 133,532 variance to budget.

Economic Factors and Next Year's Budget

Revenues and expenditures for the fiscal year 2020 adopted budget for the General Fund of the District total \$ 2,352,276.

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.

BASIC FINANCIAL STATEMENTS

**Keefe
McCullough**
CPA's + Trusted Advisors

Fiddler's Creek Community Development District #2
Statement of Net Position (Deficit)
September 30, 2019

	Governmental Activities
Assets:	
Cash, cash equivalents and investments	\$ 8,693,233
Accounts receivable	3,116
Assessment receivable	139,731
Prepays	225,022
Capital assets:	
Non-depreciable	16,226,776
Depreciable, net	<u>24,796,679</u>
Total assets	<u>50,084,557</u>
Liabilities:	
Accounts payable	730,567
Accrued liabilities	425,000
Due to other governments	32,258
Due to Bondholder	3,793,244
Due to Developer	10,736
Accrued interest payable	1,612,154
Bonds payable, due within one year	1,850,000
Bonds payable, due in more than one year	<u>60,556,299</u>
Total liabilities	<u>69,010,258</u>
Deferred Inflows of Resources:	
Deferred charge on exchange of bonds	<u>132,698</u>
Net Position (Deficit):	
Net investment in capital assets	(11,743,248)
Restricted for debt service	143,569
Unrestricted	<u>(7,458,720)</u>
Total net position (deficit)	\$ <u><u>(19,058,399)</u></u>

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, 2019

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Governmental</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Activities</u>
					<u>Net Revenues (Expenses) and Change in Net Position (Deficit)</u>
Functions/Programs:					
Governmental activities:					
Interest expense and other debt service costs	\$ 2,875,238	\$ 7,334,267	\$ -	\$ -	\$ 4,459,029
Physical environment	3,822,376	2,122,256	100,000	-	(1,600,120)
General government	<u>1,152,632</u>	<u>537,175</u>	<u>-</u>	<u>-</u>	<u>(615,457)</u>
Total governmental activities	\$ <u>7,850,246</u>	\$ <u>9,993,698</u>	\$ <u>100,000</u>	\$ <u>-</u>	<u>2,243,452</u>
General revenues:					
Miscellaneous income					9,469
Interest income					352,400
Gain on legal settlement of bonds					<u>404,168</u>
Change in net position					3,009,489
Net position (deficit), October 1, 2018					<u>(22,067,888)</u>
Net position (deficit), September 30, 2019					\$ <u>(19,058,399)</u>

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, 2019**

	General Fund	Series 2003 Debt Service Fund	Series 2004 Debt Service Fund	Series 2005 Debt Service Fund	Series 2014 Debt Service Fund	Series 2015 Debt Service Fund	Series 2014 Capital Projects Fund	Series 2015 Capital Projects Fund	Total Governmental Funds
Assets:									
Cash, cash equivalents and investments	\$ 1,156,233	\$ 4,812,305	\$ 695,000	\$ 189,708	\$ 751,954	\$ 748,803	\$ 46,998	\$ 292,232	\$ 8,693,233
Accounts receivable	3,116	-	-	-	-	-	-	-	3,116
Prepays	-	225,022	-	-	-	-	-	-	225,022
Assessments receivable	66,678	37,235	1,354	4,776	20,341	9,347	-	-	139,731
Due from other funds	2,295	244,176	-	25,610	-	-	-	-	272,081
Total assets	\$ 1,228,322	\$ 5,318,738	\$ 696,354	\$ 220,094	\$ 772,295	\$ 758,150	\$ 46,998	\$ 292,232	\$ 9,333,183
Liabilities:									
Accounts payable	\$ 176,371	\$ 533,623	\$ 282	\$ 676	\$ 2,349	\$ 1,312	\$ 12,189	\$ 3,765	\$ 730,567
Accrued liabilities	-	425,000	-	-	-	-	-	-	425,000
Due to other governments	32,258	-	-	-	-	-	-	-	32,258
Due to other funds	-	51	269,735	-	2,295	-	-	-	272,081
Due to Bondholder	-	3,793,244	-	-	-	-	-	-	3,793,244
Due to Developer	10,736	-	-	-	-	-	-	-	10,736
Total liabilities	219,365	4,751,918	270,017	676	4,644	1,312	12,189	3,765	5,263,886
Fund Balances:									
Restricted for debt service	-	566,820	426,337	219,418	767,651	756,838	-	-	2,737,064
Restricted for capital projects	-	-	-	-	-	-	34,809	288,467	323,276
Unassigned	1,008,957	-	-	-	-	-	-	-	1,008,957
Total fund balance	1,008,957	566,820	426,337	219,418	767,651	756,838	34,809	288,467	4,069,297
Total liabilities and fund balances	\$ 1,228,322	\$ 5,318,738	\$ 696,354	\$ 220,094	\$ 772,295	\$ 758,150	\$ 46,998	\$ 292,232	\$ 9,333,183

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, 2019**

Total Fund Balances of Governmental Funds, Page 9

Amounts reported for governmental activities in the statement of net position (deficit) are different because: \$ 4,069,297

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

The cost of capital assets is	59,918,339
Less accumulated depreciation	(18,894,884)

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 Series 2004 and Series 2005 Bonds	(132,698)
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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	(1,612,154)
Governmental revenue bonds payable	<u>(62,406,299)</u>

Net Position (Deficit) of Governmental Activities, Page 7 **\$ (19,058,399)**

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 Balances - Governmental Funds
For the Year Ended September 30, 2019**

	Series 2003	Series 2004	Series 2005	Series 2014	Series 2015	Series 2014	Series 2015	Total
	General Fund	Debt Service Fund	Debt Service Fund	Debt Service Fund	Debt Service Fund	Capital Projects Fund	Capital Projects Fund	Governmental Funds
Revenues:								
Non-ad valorem assessments	\$ 2,659,431	\$ 2,411,895	\$ 244,165	\$ 3,556,274	\$ 769,186	-	\$ -	\$ 9,993,698
Developer contributions	100,000	-	-	-	-	-	-	100,000
Interest income	1,012	13,907	3,913	15,794	15,478	3,030	5,830	352,400
Miscellaneous income	9,469	-	-	-	-	-	-	9,469
Total revenues	2,769,912	2,705,331	248,078	3,572,068	784,664	3,030	5,830	10,455,567
Expenditures:								
Current:								
General government	581,726	545,212	3,487	14,317	6,810	-	-	1,152,632
Physical environment	2,020,814	-	-	-	-	-	-	2,020,814
Capital outlay	33,840	-	-	-	-	183,830	11,393	229,063
Debt service:								
Principal	-	6,193,360	185,000	1,095,000	720,000	-	-	8,393,360
Interest	-	263,059	134,100	2,431,500	420,062	-	-	3,288,039
Cost of issuance	-	-	-	-	-	-	-	-
Total expenditures	2,636,380	7,001,631	322,587	3,540,817	1,146,872	183,830	11,393	15,083,908
Excess (deficiency) of revenues over (under) expenditures	133,532	(4,296,300)	(74,509)	31,251	(362,208)	(180,800)	(5,563)	(4,628,341)
Other Financing Sources:								
Gain on legal settlement of debt	-	404,168	-	-	-	-	-	404,168
Net change in fund balances	133,532	(3,892,132)	(74,509)	31,251	(362,208)	(180,800)	(5,563)	(4,224,173)
Fund Balances, October 1, 2018	875,425	4,458,952	293,927	736,400	1,119,046	215,609	294,030	8,293,470
Fund Balances, September 30, 2019	\$ 1,008,957	\$ 566,820	\$ 219,418	\$ 767,651	\$ 756,838	\$ 34,809	\$ 288,467	\$ 4,069,297

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, 2019**

Net Changes in Fund Balances - Total Governmental Funds, Page 11 \$ (4,224,173)

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:

Construction in progress conveyed to Collier County	(772,514)
Expenditures for capital assets	33,840
Less current year provision for depreciation	(833,825)

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

Principal repayments	8,393,360
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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	419,700
Provision for amortization of original bond discount	(14,300)
Provision for amortization of deferred charge on exchange of bonds	7,401
	7,401

Change in Net Position of Governmental Activities, Page 8 \$ 3,009,489

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, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Non-ad valorem assessments	\$ 2,601,703	\$ 2,659,431	\$ 57,728
Developer contributions	-	100,000	100,000
Interest income	7,500	1,012	(6,488)
Miscellaneous income	-	9,469	9,469
	<u>2,609,203</u>	<u>2,769,912</u>	<u>160,709</u>
Expenditures:			
Current:			
General government:	498,932	581,726	(82,794)
Physical environment	2,101,273	2,020,814	80,459
Capital outlay:	8,998	33,840	(24,842)
	<u>2,609,203</u>	<u>2,636,380</u>	<u>(27,177)</u>
Net change in fund balance	\$ <u><u>-</u></u>	\$ <u><u>133,532</u></u>	\$ <u><u>133,532</u></u>

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

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 (the "Board") 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 governmental reporting entity consists of the District and its component units. Component units are legally separate organizations for which the Board is financially accountable or other organizations whose nature and significant relationship with the District are such that exclusion would cause the District's financial statements to be misleading. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (i) either the District's ability to impose its will on the organization or (ii) there is a potential for the organization to provide benefit or impose a financial burden on the District. Based upon these criteria, there were no component units.

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, 2019, the District had \$ 10,093,698 in program revenues.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

- 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 acquisition 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.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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. 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.

Note 2 - Summary of Significant Accounting Policies (continued)

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 24, 2020, which is the date the financial statements were available to be issued.

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 - 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 \$ 1,156,233 and the bank balance was \$ 1,209,051.

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, 2019 of \$ 7,537,000 were in money market mutual funds. These investments are stated at fair value which approximates amortized cost.

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 AAAM 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 funds in the money market accounts held by the District can be withdrawn at any time.

Fiddler's Creek Community Development District #2
Notes to Basic Financial Statements
September 30, 2019

Note 3 - Deposits and Investments (continued)

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, 2019, the District's investments were not subject to custodial credit risk.

Note 4 - Capital Assets

Capital asset activity for the year ended September 30, 2019 was as follows:

	Balance at October 1, 2018	Additions	Deletions and Transfers	Balance at September 30, 2019
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ 16,226,776	\$ -	\$ -	\$ 16,226,776
Construction-in-progress	<u>13,514,136</u>	<u>-</u>	<u>(13,514,136)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>29,740,912</u>	<u>-</u>	<u>(13,514,136)</u>	<u>16,226,776</u>
Capital assets, being depreciated:				
Infrastructure	17,841,562	-	12,741,622	30,583,184
Buildings and improvements	12,760,696	-	-	12,760,696
Equipment	<u>313,843</u>	<u>33,840</u>	<u>-</u>	<u>347,683</u>
Total capital assets, being depreciated	<u>30,916,101</u>	<u>33,840</u>	<u>12,741,622</u>	<u>43,691,563</u>
Total capital assets	<u>60,657,013</u>	<u>33,840</u>	<u>(772,514)</u>	<u>59,918,339</u>
Less accumulated depreciation for:				
Infrastructure	8,009,680	610,603	-	8,620,283
Equipment	63,804	26,578	-	90,382
Buildings and improvements	<u>9,987,575</u>	<u>196,644</u>	<u>-</u>	<u>10,184,219</u>
Total accumulated depreciation	<u>18,061,059</u>	<u>833,825</u>	<u>-</u>	<u>18,894,884</u>
Total capital assets, being depreciated, net	<u>12,855,042</u>	<u>(799,985)</u>	<u>12,741,622</u>	<u>24,796,679</u>
Governmental activities capital assets, net	<u>\$ 42,595,954</u>	<u>\$ (799,985)</u>	<u>\$ (772,514)</u>	<u>\$ 41,023,455</u>

Provision for depreciation was charged to functions as follows:

Governmental Activities:	
Physical environment	\$ <u>833,825</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, 2019 is comprised of the following bond issues:

Special Assessment Revenue Bonds, Series 2003A; due in annual installments through May 2035; interest payable semiannually at 6.375%.	\$ 15,025,000
Special Assessment Revenue Bonds, Series 2003B; due in one lump-sum payment November 2014; interest payable semiannually at 5.75%.	3,765,000
Special Assessment Revenue Bonds, Series 2004; due in annual installments through May 2037; interest payable semiannually at 6.75%.	400,000
Special Assessment Revenue Bonds, Series 2005; due in annual installments through May 2038; interest payable semiannually at 6.00%.	2,095,000
Special Assessment Revenue Bonds, Series 2014-1A; due in annual installments through May 2037; interest payable semiannually at 6.75%.	3,890,000
Special Assessment Revenue Bonds, Series 2014-1B; due in annual installments through May 2037; interest payable semiannually at 6.75%.	3,685,000
Special Assessment Revenue Bonds, Series 2014-2A; due in annual installments through May 2038; interest payable semiannually at 6.00%.	8,400,000
Special Assessment Revenue Bonds, Series 2014-2B; due in annual installments through May 2038; interest payable semiannually at 6.00%.	4,705,000
Special Assessment Revenue Bonds, Series 2014-3; due in annual installments through May 2038; interest payable semiannually at 6.00%.	7,990,000
Special Assessment Revenue Bonds, Series 2014-4; due in annual installments through May 2038; interest payable semiannually at 6.00%.	9,800,000
Capital Improvement Bonds, Series 2015A-1, due in annual installments through May 2045; interest payable semiannually at rates that range from 5.00% to 6.00% (net of unamortized bond discount of \$ 105,945 as of September 30, 2019).	3,369,055
Special Assessment Revenue Refunding Bonds, Series 2015A-2, due in annual installments through May 2038; interest payable semiannually at rates ranging from 5.00% to 6.00% (net of unamortized bond discount of \$ 24,920 as of September 30, 2019).	970,080

Fiddler's Creek Community Development District #2
Notes to Basic Financial Statements
September 30, 2019

Note 5 - Long-Term Debt (continued)

Special Assessment Revenue Refunding Bonds, Series 2015B, due in a balloon payment May 2025; interest payable at 6.250% (net of unamortized bond discount of \$ 47,836 as of September 30, 2019).

2,077,164
\$ 66,171,299

The following is a summary of changes in governmental activities long-term debt for the year ended September 30, 2019:

	Balance October 1, 2018	Exchange	Deletions	Amortization	Balance September 30, 2019	Due Within One Year
Direct borrowings and private placements:						
Special Assessment Revenue Bonds, Series 2003A	\$ 24,950,000	\$ -	\$ 9,925,000	\$ -	\$ 15,025,000	\$ 560,000
Special Assessment Revenue Bonds, Series 2003B	4,197,412	-	432,412	-	3,765,000	3,765,000
Special Assessment Revenue Bonds, Series 2004	600,000	-	200,000	-	400,000	10,000
Special Assessment Revenue Bonds, Series 2005	2,280,000	-	185,000	-	2,095,000	60,000
Special Assessment Revenue Bonds, Series 2014-1A	4,000,000	-	110,000	-	3,890,000	115,000
Special Assessment Revenue Bonds, Series 2014-1B	3,815,000	-	130,000	-	3,685,000	110,000
Special Assessment Revenue Bonds, Series 2014-2A	8,635,000	-	235,000	-	8,400,000	250,000
Special Assessment Revenue Bonds, Series 2014-2B	4,835,000	-	130,000	-	4,705,000	140,000
Special Assessment Revenue Bonds, Series 2014-3	8,210,000	-	220,000	-	7,990,000	230,000
Special Assessment Revenue Bonds, Series 2014-4	10,070,000	-	270,000	-	9,800,000	285,000
Capital Improvement Bonds Series, 2015A-1	4,025,000	-	550,000	-	3,475,000	60,000
Series 2015A-1 discount	(110,107)	-	-	4,162	(105,945)	-
Special Assessment Revenue Refunding Bonds, Series 2015A-2	1,165,000	-	170,000	-	995,000	30,000
Series 2015A-2 discount	(26,270)	-	-	1,350	(24,920)	-
Special Assessment Revenue Refunding Bonds, Series 2015B	2,125,000	-	-	-	2,125,000	-
Series 2015B discount	(56,624)	-	-	8,788	(47,836)	-
	<u>\$ 78,714,411</u>	<u>\$ -</u>	<u>\$ 12,557,412</u>	<u>\$ 14,300</u>	<u>\$ 66,171,299</u>	<u>\$ 5,615,000</u>

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.

Subsequent to year end, the Series 2003A Bonds were refunded by the issuance of Series 2019 Special Assessment Refunding Bonds for \$ 14,245,00 and a premium of \$ 900,421. The Series 2019 Bonds bear interest at rates that range from 3.25% to 5.00% and mature on May 1, 2035. The refunding will reduce the District's debt service payments over the next sixteen years by \$ 4,200,445 with an economic gain of \$ 2,254,242.

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 were payable in one principal installment in November 2014 and remained outstanding as of the date of the audit. Interest at 5.75% was 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.

Subsequent to year end, the Series 2003B Bonds were retired.

Special Assessment Revenue Bonds, Series 2004 - The District previously issued \$ 13,145,000 in Special Assessment Revenue Bonds, Series 2004 for the purpose of funding certain projects within the boundaries of the District. The District previously 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 remained 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.

Note 5 - Long-Term Debt (continued)

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, 2019, the reserve fund account balance was sufficient to satisfy this requirement.

Special Assessment Revenue Bonds, Series 2005 - The District previously issued \$ 38,850,000 in Special Assessment Revenue Bonds, Series 2005 for the purpose of funding certain projects within the boundaries of the District. The District previously 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 remained 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, 2019, the reserve fund account balance was sufficient to satisfy this requirement.

Special Assessment Revenue Bonds, Series 2014 - The District previously issued \$ 9,560,000 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. In June 2018, the Series 2014-1 were exchanged into Series 2014-1A at \$ 4,000,000 and Series 2014-1B at \$ 3,815,000. There were no changes to the par amounts, boundaries, yield or maturity of these bonds.

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.

Note 5 - Long-Term Debt (continued)

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.

The District also previously 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. In June 2018, the Series 2014-2 were also exchanged into Series 2014-2A at \$ 8,635,000 and Series 2014-2B at \$ 4,835,000. There were no changes to the par amounts, boundaries, yield or maturity of these bonds.

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.

The Series 2014-1B and Series 2014-2B require reserve funds equal to \$ 125,000 each. As of September 30, 2019, the reserve fund account balances were sufficient to satisfy this requirement.

Capital Improvement and Special Assessment Revenue Refunding Bonds, Series 2015 - The District previously issued \$ 6,050,000 in Capital Improvement Bonds 2015A-1 for the purpose of financing the costs of the 2015 Improvements. The bonds are split between two issuances of \$ 1,160,000 and \$ 4,890,000, payable in annual principal installments through May 2026 and May 2045, respectively. Interest at 5.00% through May 2026, thereafter 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. The Bonds maturing May 2045 are also subject to redemption at the option of the District at the redemption price on or after May 1, 2028. The District is required to redeem the Bonds at redemption price prior to schedule from the proceeds of any assessments prepaid or if certain events occur as outlined in the Bond Indenture

Note 5 - Long-Term Debt (continued)

The District previously also issued \$ 7,725,000 in Special Assessment Revenue Refunding Bonds Series 2015A-2 and Series 2015B for the purpose of refunding a portion of the Series 2014-3 Bonds. The Series 2015A-2 Bonds are split between two issuances of \$ 595,000 and \$ 1,215,000, payable in annual principal installments through May 2026 and May 2038, respectively. Interest at 5.00% through May 2026, thereafter at 6.00% is payable semiannually on the first day of each May and November. The \$ 5,915,000 Series 2015B Bonds are payable in a balloon payment on May 1, 2025 with interest at 6.25% payable semiannually on the first day of each May and November.

The District refunded a portion of the Series 2014-3 Bonds and replaced them with a portion of the 2015A-2 and the 2015B Bonds for the purpose of reallocating the Bonds from non-plated property to plated property. The defeasement resulted in a minimal economic gain.

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 the redemption price plus accrued interest to the date of redemption on a schedule of annual redemptions. The Bonds maturing May 2038 are also subject to redemption at the option of the District at the redemption price on or after May 1, 2028. The District is required to redeem the Bonds at redemption price prior to schedule from the proceeds of any assessments prepaid or if certain events occur as outlined in the Bond Indenture. The 2015B Bonds are not subject to any optional redemption.

The 2015 Bond Indentures require reserve funds equal to \$ 329,594. As of September 30, 2019, the reserve fund account balances were sufficient to satisfy this requirement.

As of September 30, 2019, the annual debt service requirements for the Series 2003, 2004, 2005 and 2014 Special Assessment Revenue Bonds, and Series 2015 Capital Improvement Bonds and Special Assessment Revenue Refunding Bonds are approximately as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 5,615,000	\$ 3,702,013	\$ 9,317,013
2021	1,970,000	3,559,806	5,529,806
2022	2,095,000	3,438,450	5,533,450
2023	2,230,000	3,309,306	5,539,306
2024	2,355,000	3,171,813	5,526,813
2025-2029	16,400,000	12,948,288	29,348,288
2030-2034	19,425,000	7,813,069	27,238,069
2035-2039	14,935,000	2,061,650	16,996,650
2040-2044	1,070,000	230,500	1,300,500
2045-2046	255,000	12,750	267,750
	<u>\$ 66,350,000</u>	<u>\$ 40,247,645</u>	<u>\$ 106,597,645</u>

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, 2019. Other insurance policies carried by the District during the year included public official's liability and employment practices liability. 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, 2014, and 2015 Capital Project Funds.

Note 8 - Interfund Receivables, Payables, and Transfers

A summary of due to/from funds for the year ended September 30, 2019 is as follows:

	<u>Receivables</u>	<u>Payables</u>
Series 2003 Debt Service Fund	\$ 244,176	\$ 51
General Fund	2,295	-
Series 2014 Debt Service Fund	-	2,295
Series 2004 Debt Service Fund	-	269,735
Series 2005 Debt Service Fund	<u>25,610</u>	<u>-</u>
Total	<u>\$ 272,081</u>	<u>\$ 272,081</u>

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.

There were no interfund transfers for the year ended September 30, 2019.

Note 9 - Net Position (Deficit)

The District has a government-wide net position deficit of \$ 19,058,399 as of September 30, 2019. 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 the Developer's Second Amended Plan of Reorganization, as modified (the "Plan"). 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 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.

The litigation between the District and the former trustee, US Bank, National Association ("USB") styled, *Fiddler's Creek Community Development District 2 v. U.S. Bank National Association, as Trustee and Individually, 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 and Tort Action") and *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 vs. 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 (the "Declaratory Action"), both of which involved the misuse of funds in the 2003 and 2005 Bond Series construction accounts for payment of trustee legal fees, was recently settled. USB agreed to pay and paid the District the sum of \$ 1,350,000 in the settlement of the claims. The construction obligations under the 2003 Bond Series have already been completed.

The interpleader action commenced in 2014 by the current trustee, Wilmington Trust, National Association ("WTNA") 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. 2014-CA-2763 in the Circuit Court of the 20th Judicial Circuit in and for Collier County (the "Interpleader Action") was settled as well. The Interpleader Action was originally brought regarding the redemption of 2003B Bonds upon maturity which was resolved because WTNA interpleaded the Disputed Funds for the court to determine if the funds should be used to redeem the 2003B Bonds or be applied to amounts owing on the 2003A Bonds. Thereafter, the majority holder of the 2003A Bonds asserted a claim to the funds arguing the 2003A bonds are in default because WTNA withheld payments to the 2003A bondholders since 2014 despite the fact that the District remitted collected assessments for payment against the Bonds pursuant to the Trust Indenture.

On October 16, 2019, the majority holders of the 2003A and 2003B bonds agreed to settle the Interpleader Action contingent upon the successful refunding of the 2003A Bonds by the District through a refinancing and new bond issuance. This refunding occurred and the Interpleader Action was dismissed, with prejudice, on March 10, 2020.

Note 10 - Contingencies (continued)

Prior to the completion of the refunding and subsequent settlement, the majority holder of the 2003A Bonds advised that WTNA and The Depository Trust Company agreed the remaining principal balance on the 2003A Bonds after the May 1, 2019 payment was \$ 15,025,000. This amount was consistent with the District's calculation of the remaining principal balance on the 2003A Bonds at that time.

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 \$ 32,258 to Fiddler's Creek Community Development District 1 for shared costs as of September 30, 2019.

Note 12 - Subsequent Events

Subsequent to year-end, the Series 2003A Bonds were refunded by the issuance of Series 2019 Special Assessment Refunding Bonds for \$ 14,245,000 together with other legally available moneys in the Series 2003A trust accounts. The Series 2019 Bonds bear interest at rates that range from 3.25% to 5.00% and mature on May 1, 2035. In addition, the Series 2003B Bonds were retired with payments to the bondholders of \$ 3,793,244.

In October 2019, the remaining principal balance of \$ 9,800,000 for the Series 2014-4 Bonds was paid in full.

In March 2020, the *World Health Organization* declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, the local and global financial markets are experiencing significant declines and creating economic uncertainties. At this time, it is unknown how this negative outlook will impact the District's financial statements. No adjustments have been made to the accompanying financial statements as a result of the current events.

OTHER REPORTS OF INDEPENDENT AUDITORS

**Keefe
McCullough**
CPA's + Trusted Advisors

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, 2019, 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 24, 2020.

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 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
June 24, 2020

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, Florida, (the "District"), as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated June 24, 2020.

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 Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 24, 2020, 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. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit reports.

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 and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify 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.b and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the District. 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.

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

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 warrants the attention of those charged with governance. In connection with our audit, we did not note 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 and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
June 24, 2020

INDEPENDENT ACCOUNTANT'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*, for the year ended September 30, 2019. Management of the District is responsible for the District's compliance with the specified requirements. Our responsibility is to express an opinion on the District's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about with the District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide 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 specified requirements of Section 218.415 Florida Statutes for the year ended September 30, 2019.

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 24, 2020

CPA's + Trusted Advisors