

**CORDOBA RANCH  
COMMUNITY DEVELOPMENT DISTRICT**

**FINANCIAL REPORT**

Year Ended September 30, 2013

CORDOBA RANCH COMMUNITY DEVELOPMENT DISTRICT

**TABLE OF CONTENTS**

Year Ended September 30, 2013

	<b><u>Page</u></b>
<b>I. Financial Section:</b>	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet - Governmental Funds	9
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Notes to Financial Statements	13
<b>II. Compliance Section:</b>	
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 <i>Government Auditing Standards</i>	24
Management Comments	26
Response to the Management Comments	30

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Supervisors  
*Cordoba Ranch Community Development District*

**Report on the Financial Statements**

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

**Management's Responsibility for the Financial Statements**

The District's 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 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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**MCDIRMIT DAVIS & COMPANY, LLC**  
934 NORTH MAGNOLIA AVENUE, SUITE 100 • ORLANDO, FLORIDA 32803  
TELEPHONE 407-843-5406 • FAX 407-649-9339 • EMAIL: INFO@MCDIRMITDAVIS.COM

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the District as of September 30, 2013, and the respective changes in financial position thereof 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 starting on page 3, 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 a report dated April 25, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*McDiernit Davis & Company, LLC*

Orlando, Florida  
April 25, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the *Cordoba Ranch Community Development District's*, (the "District") financial accomplishments provide an overview of the District's financial activities for the year ended September 30, 2013. Please read it in conjunction with the District's Independent Auditor's Report, financial statements and accompanying notes.

This information is being presented to provide additional information regarding the activities of the District and to meet the disclosure requirements of Government Accounting Standards Board Statement (GASB) No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued June 1999.

### Financial Highlights

- The assets of the District exceeded its liabilities at September 30, 2013 by \$6,395,439, a decrease of \$231,469 in comparison with the prior year. Net position was also decreased by \$263,779 due to implementation of new GASB's.
- At September 30, 2013, the District's governmental funds reported a combined fund balance of \$627,913, a decrease in the fund balance of \$408,541 in comparison with the prior year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the *Cordoba Ranch Community Development District's* financial statements. The District's 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 are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

The government-wide financial statements include all governmental activities that are principally supported by special assessment revenues. The District does not have any business-type activities. The governmental activities of the District include general government, culture and recreation, physical environment and public safety related functions.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Fund Financial Statements

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

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

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

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

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

### Notes to Financial Statements

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

### Government-Wide Financial Analysis

Statement of Net Position - The District's net position was \$6,395,439 at September 30, 2013. The following analysis focuses on the net position of the District's governmental activities.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**Government-Wide Financial Analysis (Continued):**

Cordoba Ranch Community Development District  
Statement of Net Position

	<b>September 30, 2013</b>	<b>September 30, 2012</b>
Assets, excluding capital assets	\$ 674,825	\$ 1,309,062
Capital assets net of depreciation	<u>13,880,907</u>	<u>13,862,420</u>
Total assets	<u>14,555,732</u>	<u>15,171,482</u>
Liabilities, excluding long-term liabilities	230,293	195,795
Long-term liabilities	<u>7,930,000</u>	<u>8,085,000</u>
Total liabilities	<u>8,160,293</u>	<u>8,280,795</u>
Net position:		
Net investment in capital assets	6,335,881	6,425,582
Restricted for debt service	57,339	57,311
Restricted for capital projects	2,219	2,219
Unrestricted	<u>-</u>	<u>405,575</u>
Total net position	<u>\$ 6,395,439</u>	<u>\$ 6,890,687</u>

The following is a summary of the District's governmental activities for the fiscal years ended September 30, 2013 and 2012.

Changes in Net Position  
Year Ended September 30,

	<b>2013</b>	<b>2012</b>
Revenues:		
Program revenues	\$ 1,024,405	\$ 5,243,111
General revenues	425	-
Total revenues	<u>1,024,830</u>	<u>5,243,111</u>
Expenses:		
General government	78,802	259,723
Culture and recreation	624,228	24
Physical environment	104,873	-
Public safety	3,263	-
Interest on long-term debt	<u>445,133</u>	<u>522,620</u>
Total expenses	<u>1,256,299</u>	<u>782,367</u>
Special Item:		
Gain on forgiveness of debt	<u>-</u>	<u>1,259,626</u>
Change in net position	(231,469)	5,720,370
Net position - beginning, previously stated	6,890,687	1,170,317
Effect of implementation of GASB No. 65	<u>(263,779)</u>	<u>-</u>
Net position - beginning as restated	<u>6,626,908</u>	<u>1,170,317</u>
Net position - ending	<u>\$ 6,395,439</u>	<u>\$ 6,890,687</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The decrease in current year program revenues from the prior year is because in fiscal year 2012, revenues were received from the new developer who purchased District land from the prior developer as part of a bankruptcy proceeding.

### Financial Analysis of the Government's Funds

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 government's net resources available for spending at the end of the fiscal year. At September 30, 2013, the District's governmental funds reported a combined ending fund balance of \$627,913. Of this total, \$13,306 is nonspendable, \$627,913 is restricted and the remainder is a negative unassigned fund balance of \$13,306.

The fund balance of the general fund decreased by \$405,575 as these funds were spent on infrastructure refurbishing. There was no significant change to the debt service fund or the capital projects fund.

### General Fund Budgetary Highlights

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. There was one amendment to the September 30, 2013 general fund budget.

### Capital Asset and Debt Administration

**Capital Assets** - At September 30, 2013, the District had \$13,880,907 invested in capital assets, net of depreciation. More detailed information about the District's capital assets is presented in the notes to the financial statements.

**Capital Debt** - At September 30, 2013, the District had \$7,930,000 in bonds outstanding. More detailed information about the District's capital debt is presented in the notes to the financial statements.

### Requests for Information

If you have questions about this report or need additional financial information, contact the District's Finance Department at 3434 Colwell Avenue, Suite 200, Tampa, Florida 33614.



## **FINANCIAL STATEMENTS**

CORDOBA RANCH COMMUNITY DEVELOPMENT DISTRICT

**STATEMENT OF NET POSITION**

September 30, 2013

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash	\$ 6,318
Due from developer	27,288
Prepaid costs	2,836
Deposits	10,470
Restricted assets:	
Temporarily restricted investments	627,913
Capital assets not being depreciated	13,862,420
Capital assets being depreciated, net	18,487
Total assets	14,555,732
 <b>Liabilities:</b>	
Accounts payable and accrued expenses	16,850
Due to developer	30,062
Accrued interest payable	183,381
Noncurrent liabilities:	
Due within one year	165,000
Due in more than one year	7,765,000
Total liabilities	8,160,293
 <b>Net Position:</b>	
Net investment in capital assets	6,335,881
Restricted for debt service	57,339
Restricted for capital projects	2,219
Total net position	\$ 6,395,439

The accompanying Notes to Financial Statements are an integral part of this statement.

CORDOBA RANCH COMMUNITY DEVELOPMENT DISTRICT

**STATEMENT OF ACTIVITIES**

Year Ended September 30, 2013

<b><u>Functions/Programs</u></b>	<b><u>Expenses</u></b>	<b><u>Program Revenue</u></b>		<b><u>Governmental Activities</u></b>	<b><u>Net (Expense) Revenue and Changes in Net Assets</u></b>
		<b><u>Charges for Services</u></b>	<b><u>Operating Grants and Contributions</u></b>		
Governmental activities:					
General government	\$ 78,802	\$ -	\$ 41,156	\$ -	\$ (37,646)
Culture and recreation	624,228	-	326,020	-	(298,208)
Physical environment	104,873	-	54,773	-	(50,100)
Public safety	3,263	-	1,704	-	(1,559)
Interest on long-term debt	445,133	600,537	214	1	155,619
Total governmental activities	<u>\$ 1,256,299</u>	<u>\$ 600,537</u>	<u>\$ 423,867</u>	<u>\$ 1</u>	<u>(231,894)</u>
General Revenues:					
					425
					(231,469)
					6,890,687
					(263,779)
					6,626,908
					<u>\$ 6,395,439</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CORDOBA RANCH COMMUNITY DEVELOPMENT DISTRICT

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**

September 30, 2013

	<b>General</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>				
Cash	\$ 6,318	\$ -	\$ -	\$ 6,318
Investments	-	625,693	2,220	627,913
Due from developer	27,288	-	-	27,288
Deposits	10,470	-	-	10,470
Prepaid costs	2,836	-	-	2,836
Total assets	\$ 46,912	\$ 625,693	\$ 2,220	\$ 674,825
<b>Liabilities and Fund Balances:</b>				
Liabilities:				
Accounts payable and accrued expenses	\$ 16,850	\$ -	\$ -	\$ 16,850
Due to developer	30,062	-	-	30,062
Total liabilities	46,912	-	-	46,912
Fund balances:				
Nonspendable	13,306	-	-	13,306
Restricted for:				
Debt service	-	625,693	-	625,693
Capital projects	-	-	2,220	2,220
Unassigned	(13,306)	-	-	(13,306)
Total fund balances	-	625,693	2,220	627,913
Total liabilities and fund balances	\$ 46,912	\$ 625,693	\$ 2,220	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 13,880,907

Liabilities not due and payable from current available resources are not reported in governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide statements.

	(183,381)	
Accrued interest payable	(7,930,000)	(8,113,381)
Bonds payable		

Net position of governmental activities (page 7) \$ 6,395,439

The accompanying Notes to Financial Statements are an integral part of this statement.

CORDOBA RANCH COMMUNITY DEVELOPMENT DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

Year Ended September 30, 2013

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Developer contributions	\$ 423,653	\$ 600,537	\$ -	\$ 1,024,190
Investment income	425	214	1	640
Total revenues	<u>424,078</u>	<u>600,751</u>	<u>1</u>	<u>1,024,830</u>
<b>Expenditures:</b>				
Current:				
General government	78,802	-	-	78,802
Culture and recreation	644,036	-	-	644,036
Physical environment	103,552	-	-	103,552
Public safety	3,263	-	-	3,263
Debt Service:				
Interest	-	448,718	-	448,718
Principal	-	155,000	-	155,000
Total expenditures	<u>829,653</u>	<u>603,718</u>	<u>-</u>	<u>1,433,371</u>
Net change in fund balances	(405,575)	(2,967)	1	(408,541)
<b>Fund Balances - Beginning of Year</b>	<u>405,575</u>	<u>628,660</u>	<u>2,219</u>	<u>1,036,454</u>
<b>Fund Balances - End of Year</b>	<u>\$ -</u>	<u>\$ 625,693</u>	<u>\$ 2,220</u>	<u>\$ 627,913</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CORDOBA RANCH COMMUNITY DEVELOPMENT DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

Year Ended September 30, 2013

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

Net change in fund balances - total governmental funds (page 10)	\$	(408,541)
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Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources; however, in the statement of net position the cost of those assets is recorded as capital assets.

Capital outlay	19,808	
Depreciation expense	<u>(1,321)</u>	18,487

Repayments of long-term liabilities are reported as expenditures in governmental funds, while repayments reduce long-term liabilities in the statement of net position.	155,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest	<u>3,585</u>
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Change in net position of governmental activities (page 8)	<u><u>\$ (231,469)</u></u>
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The accompanying Notes to Financial Statements are an integral part of this statement.

CORDOBA RANCH COMMUNITY DEVELOPMENT DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - GENERAL FUND**

Year Ended September 30, 2013

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Developer contributions	\$ 230,250	\$ 423,653	\$ 423,653	\$ -
Investment income and other	-	425	425	-
Total revenues	230,250	424,078	424,078	-
<b>Expenditures:</b>				
Current:				
General government	85,750	78,802	78,802	-
Culture and recreation	-	644,035	644,036	(1)
Physical environment	144,500	103,553	103,552	1
Public safety	-	3,263	3,263	-
Total expenditures	230,250	829,653	829,653	-
Net change in fund balance	-	(405,575)	(405,575)	-
Fund balance - beginning	405,575	405,575	405,575	-
Fund balance - ending	\$ 405,575	\$ -	\$ -	\$ -

The accompanying Notes to Financial Statements are an integral part of this statement.

**NOTES TO FINANCIAL STATEMENTS**



**NOTES TO FINANCIAL STATEMENTS**

Year Ended September 30, 2013

**Note 1 - Summary of Significant Accounting Policies:**

**Reporting Entity**

The *Cordoba Ranch Community Development District*, (the "District") was established on April 19, 2006 by Hillsborough County Ordinance 05-23 pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes. The Act provides among other things, the power to manage basic services for community development, the power to borrow money and issue bonds, and the power to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure. The District was established for the purpose of financing and managing the acquisition, construction, maintenance and operation of a portion of the infrastructure necessary for community development within the District.

In the prior fiscal year, Standard Pacific of Florida (the "Developer") purchased the previous developer's land within the District and took over development of the District. The District is economically dependent on Standard Pacific of Florida.

The District is governed by the Board of Supervisors (the "Board"), which is composed of five members elected on an at large basis by landowners of the District. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes. All 5 Board members are associated with the Developer.

The Board has the final responsibility for:

1. Allocating and levying assessments.
2. Approving budgets.
3. Exercising control over facilities and properties.
4. Controlling the use of funds generated by the District.
5. Approving the hiring and firing of key personnel.
6. Financing improvements.

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement 14, and Statement 61, an amendment of GASB Statement 14. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District Board of Supervisors is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2013

**Note 1 - Summary of Significant Accounting Policies (Continued):**

**Government-Wide and Fund Financial Statements**

The financial statements include both government-wide and fund financial statements.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants, contributions and investment income that are restricted to meeting the operational or capital requirements of a particular function or segment and 3) operating-type special assessments that are treated as charges for services (including assessments for maintenance and debt service). Other items not included among program revenues are reported instead as *general revenues*.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Assessments are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the modified *accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Assessments, including debt service assessments and operation and maintenance assessments, are non-ad valorem assessments imposed on assessable lands located within the District benefited by the District's activities. Debt service assessments were imposed pursuant to the District's assessment resolution at the time of issuance of the Bonds. Operations and maintenance assessments are levied by the District annually prior to the start of the fiscal year which begins October 1<sup>st</sup> and ends on September 30<sup>th</sup>. Operation and maintenance special assessments are imposed upon all benefited lands located in the District. Debt service special assessments were imposed upon certain lots and lands as described in each resolution imposing the special assessment for each series of bonds issued by the District and are collected in accordance with the District's annual assessment resolution.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2013

**Note 1 - Summary of Significant Accounting Policies (Continued):**

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

Assessments and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following governmental funds. The general fund and debt service fund are considered to be major funds.

**General Fund** - is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Debt Service Fund** - accounts for the accumulation of resources for the annual payment of principal and interest on long-term general obligation debt.

**Capital Projects Fund** - accounts for the financial resources to be used for the acquisition or construction of major infrastructure within the District.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

**Restricted Assets** - These assets represent cash and investments set aside pursuant to bond covenants.

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

Investments of the District are reported at fair value. The District's investments consist of investments authorized per their investment policy adopted in accordance with Section 218.415, Florida Statutes.

**Prepaid Items** - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2013

**Note 1 - Summary of Significant Accounting Policies (Continued):**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued):**

**Capital Assets** - Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Equipment	5

**Long Term Obligations** - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of premiums or discounts.

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

**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 item that qualifies for reporting in this category for the year ended September 30, 2013

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 does not have any item that qualifies for reporting in this category for the year ended September 30, 2013.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2013

**Note 1 - Summary of Significant Accounting Policies (Continued):**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued):**

**Net Position Flow Assumption** - Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

**Fund Balance Flow Assumptions** - Sometime the District will fund outlays for a particular purpose from both restricted and unrestricted resources (total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Fund Balance Policies** - Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes fund balance amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Supervisors is the highest level of decision-making authority for the government that can, by adoption of an ordinance or resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance or resolution remains in place until a similar action is taken to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Board of Supervisors has authorized the District Manager to assign amounts for specific purposes. The Board of Supervisors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above an additional action is essential to either remove or revise a commitment.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2013

**Note 1 - Summary of Significant Accounting Policies (Continued):**

**New GASB Statements Implemented**

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*- This statement classifies all sources of generally accepted accounting principles for state and local governments so that the authoritative accounting and financial reporting literature will be together in a single source, with that guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial statement users.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*- This statement provides guidance for deferred outflows of resources and deferred inflows of resources. It further identifies net position as the residual of all elements presented in a statement of financial position. This Statement redefines certain assets and liabilities as “deferred outflows of resources” or “deferred inflows of resources.” It further requires the “Capital asset, net of debt” now be titled “Net investment in capital assets” and that the last line of the statements, previously called “Net assets” now be titled “Net position.”

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*- This statement provides additional guidance for the items listed in GASB 63 and includes additional changes in accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This Statement requires that debt issuance costs be expensed in the period the debt was issued. This Statement also requires that taxes and lease revenues received prior to the period to which they relate to be classified as Unavailable Revenue (a deferred inflow). The implementation of GASB 65 resulted in the write off of Bond issue costs and the effect of adoption of GASB 65 is the reduction of beginning net position by \$263,779 of the governmental activities. The effect on fiscal year 2012 had the implementation of GASB 65 occurred earlier would have resulted in a decrease in expenses of the governmental activities by \$11,107.

**Other Disclosures**

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2013

**Note 2 - Stewardship, Compliance and Accountability:**

**Budgetary Information**

The District is required to establish a budgetary system and an approved annual budget for the General Fund. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at the fiscal year end. The legal level of budgetary control is at the fund level. Any budget amendments that increase the aggregate budgeted appropriations, at the fund level, must be approved by the Board of Supervisors.

**Note 3 - Investments:**

Investments are stated at fair value, which is the amount for which an investment could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale. Fair value is based on quoted market prices. Changes in the fair value of investments are recognized as revenue and included in investment revenue. Investment revenue is recognized as earned and is recorded in the respective fund related to the investment activity.

The District's investment policies are governed by State Statutes and the District Trust Indenture. The District investment policy allows investments in any financial institution that is a qualified public depository of the State of Florida as identified by the State Treasurer, in accordance with Chapter 280 of the Florida Statutes. Authorized investments include, but are not limited to:

1. The Local Government Surplus Funds Trust Fund (SBA);
2. Securities and Exchange Commission Registered Money Market Funds with the highest credit quality rating from a nationally recognized rating agency;
3. Interest-bearing time deposits or savings accounts in qualified public depositories;
4. Direct obligations of the U.S. Treasury;
5. Short-term bond funds investing in U.S. Government securities or U.S. Government Agency Securities;
6. Securities of registered investment companies (mutual funds) that are limited to obligations of the U.S. Government or any agency or instrumentality thereof.

CORDOBA RANCH COMMUNITY DEVELOPMENT DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2013

**Note 3 - Investments (Continued):**

Investments made by the District at September 30, 2013 are summarized below. In accordance with GASB 31, investments are reported at fair value.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity</u>
US Bank Managed Money Market	\$ 627,913	NA	NA

**Credit Risk:**

The District's investment policy limits credit risk by restricting authorized investments to those described. Investments in U.S. Government securities and agencies must be backed by the full faith and credit of the United States Government. Short term bond funds shall be rated by a nationally recognized ratings agency and shall maintain the highest credit quality rating.

**Custodial Credit Risk:**

In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2013, all of the District's bank deposits were in qualified public depositories.

For an investment, this is the risk that, in the event of the failure of the counterparty, the government 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, 2013, none of the investments listed are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

**Concentration of Credit Risk:**

The District's investment policy does not specify limits on the amount the District may invest in any one issuer.

**Interest Rate Risk:**

The District's investment policy does not specifically address interest rate risk; however, the general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments. The District manages its exposure to declines in fair values by investing primarily in pooled investments that have a weighted average maturity of less than three months.



CORDOBA RANCH COMMUNITY DEVELOPMENT DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2013

**Note 5 - Capital Assets:**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Infrastructure under construction	\$ 13,862,420	\$ -	\$ -	\$ 13,862,420
Total capital assets, not being depreciated	<u>13,862,420</u>	<u>-</u>	<u>-</u>	<u>13,862,420</u>
Capital assets, being depreciated:				
Security equipment	-	19,808	-	19,808
-				
Less accumulated depreciation for:				
Security equipment	-	(1,321)	-	(1,321)
Total capital assets, being depreciated, net	<u>-</u>	<u>18,487</u>	<u>-</u>	<u>18,487</u>
Governmental activities capital assets, net	<u>\$ 13,862,420</u>	<u>\$ 18,487</u>	<u>\$ -</u>	<u>\$ 13,880,907</u>

District construction had been idle for several years and restarted in the current year. The remaining costs to complete the improvements for the District are being evaluated. Any additional infrastructure costs in excess of the amounts available from the Series 2006 Bonds as well as future bond proceeds are expected to be funded by the new developer.

CORDOBA RANCH COMMUNITY DEVELOPMENT DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2013

**Note 6 - Long-Term Liabilities:**

On July 13, 2006, the District issued \$10,220,000 of Capital Improvement Revenue Bonds, Series 2006 due on May 1, 2037 with a fixed interest rate of 5.55%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the property within the District. Interest is payable semiannually on each May 1 and November 1, commencing November 1, 2006. Principal is payable annually commencing May 1, 2008 through May 1, 2037.

The Series 2006 Bonds are subject to redemption at the option of the District, in whole or in part at anytime on or after May 1, 2016 at a redemption price set forth in the Bond Indenture. The Series 2006 Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Indenture.

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirement as defined in the Indenture. The requirement was not met at September 30, 2013.

The Bond Indenture has certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agreed to collect special assessments in annual installments adequate to provide payment of debt service. Payment of principal and interest on the Series 2006 Bonds is secured by a pledge of and first lien upon the pledged special assessment revenue. The District is not in compliance with certain requirements of the Bond Indenture.

Total principal and interest remaining on the Series 2006 Bonds as of September 30, 2013 is \$14,565,028. In the current year, the District paid \$155,000 of principal and \$448,718 of interest. In the current year, the Developer paid \$600,537 of debt service special assessments.

Long-term debt activity for the year ended September 30, 2013 was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental activities:</b>					
Bonds payable:					
Series 2006	\$ 8,085,000	\$ -	\$ (155,000)	\$ 7,930,000	\$ 165,000
Governmental activity long-term liabilities	<u>\$ 8,085,000</u>	<u>\$ -</u>	<u>\$ (155,000)</u>	<u>\$ 7,930,000</u>	<u>\$ 165,000</u>

CORDOBA RANCH COMMUNITY DEVELOPMENT DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2013

**Note 6 - Long-Term Liabilities (Continued):**

At September 30, 2013, the scheduled debt service requirements on the bonds payable were as follows.

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 165,000	\$ 440,115
2015	170,000	430,958
2016	180,000	421,523
2017	190,000	411,533
2018	205,000	400,988
2019 - 2023	1,200,000	1,822,065
2024 - 2028	1,590,000	1,448,273
2029 - 2033	2,090,000	954,323
2034 - 2037	2,140,000	305,250
	<u>\$ 7,930,000</u>	<u>\$ 6,635,028</u>

**Note 7 - Developer Transactions:**

The prior developer filed bankruptcy in 2011. In April 2012, pursuant to the prior developer's plan of reorganization in the bankruptcy, their property within the District was sold to the new developer, Standard Pacific of Florida. In the current year, Standard Pacific of Florida paid 100% of the District's special assessment revenue.

**Note 8 - Risk Management:**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance from independent third parties. The District has not filed any claims under this commercial coverage during the last three years.

**COMPLIANCE SECTION**

**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  
*Cordoba Ranch Community Development District*

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 the *Cordoba Ranch Community Development District* (the "District") as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 25, 2014.

**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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting 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 and contracts, 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 certain instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. See Appendix B.

See management comments, in a separate letter dated April 25, 2014.

## **Purpose of this Report**

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

*McDiernit Davis & Company, LLC*

Orlando, FL  
April 25, 2014



## MANAGEMENT COMMENTS

Board of Supervisors  
*Cordoba Ranch Community Development District*

We have audited the financial statements of the *Cordoba Ranch Community Development District* (the "District"), as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated April 25, 2014.

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. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated April 25, 2014, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information which is not included in the aforementioned auditor's report.

- 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 status of management's response to recommendations included in the preceding annual financial report is outlined in Appendix A to this report.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the District complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., 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 findings.
- Section 10.554(1)(i)4., 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 had one recommendation described in Appendix B to this report.

**MCDIRMIT DAVIS & COMPANY, LLC**  
934 NORTH MAGNOLIA AVENUE, SUITE 100 • ORLANDO, FLORIDA 32803  
TELEPHONE 407-843-5406 • FAX 407-649-9339 • EMAIL: INFO@MCDIRMITDAVIS.COM

- Section 10.554(1)(i)5., 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. This information has been disclosed in the notes to the financial statements.
- Section 10.554(1)(i)6.a., Rules of the Auditor General, requires a statement be included 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 met none of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)6.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the District for the fiscal year ended September 30, 2013, 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, 2013. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)6.c. and 10.556(7), 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.

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 and applicable management, and is not intended to be and should not be used by anyone other than those specified parties.

*McDiernit Davis & Company, LLC*

April 25, 2014



CORDOBA RANCH COMMUNITY DEVELOPMENT DISTRICT

**APPENDIX A - PRIOR YEAR RECOMMENDATIONS**

Year Ended September 30, 2013

<b><u>No.</u></b>	<b><u>Prior Year's Finding</u></b>	<b><u>Finding No Longer Relevant</u></b>	<b><u>Finding is Still Relevant</u></b>	<b><u>Finding Included in Second Preceding Audit</u></b>
12-01	Failure to Adopt an Operating Budget	X		
12-02	Failure to Meet Debt Service Reserve Account Requirement		X	X

**APPENDIX B - COMPLIANCE VIOLATIONS OF LAWS,  
REGULATIONS AND CONTRACTUAL PROVISIONS**

Year Ended September 30, 2013

**12-02 - Failure to Meet Debt Service Reserve Account Requirement**

**Criteria**

The Trust Indenture requires the District to keep a minimum amount in the Debt Service Reserve Account.

**Condition**

At September 30, 2013, the Series 2006 Debt Service Reserve Account was deficient.

**Cause**

In prior years, the Debt Service Reserve Account was used to pay debt service on the Bonds due to the Developer's nonpayment of debt service assessments.

**Effect**

The District is not in compliance with the Trust Indenture.

**Recommendation**

We recommend the District utilize all remedies available to replenish the Debt Service Reserve Account.

# CORDOBA RANCH COMMUNITY DEVELOPMENT DISTRICT

DISTRICT OFFICE · 3434 COLWELL AVENUE · SUITE 200 · TAMPA, FLORIDA 33614

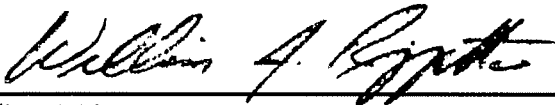
April 25, 2014

**Management Letter finding 12-02:**

*The auditor noted that the debt service reserve requirement was not met at September 30, 2013.*

**District response to the finding:**

*The District has taken all necessary and available actions in order to comply with the Trust Indenture. In the prior fiscal years reserve funds had been used by the trustee to pay expenses relating to the default which resulted in the reserve requirements not being met at year end. Subsequent to year end the Developer's property was sold to a new developer. In conjunction with this, it was agreed that the District and Bondholders would each fund fifty percent of the amount necessary to replenish the debt service reserve. The District replenished its portion in May of 2012; the Bondholders have until November 2013 to fund its portion. As part of the Bankruptcy settlement the Bondholders agreed to reduce the debt service reserve amount. As of the report date the District has not received signed copies of this agreement. The amount remaining in the Debt Service Fund complies with the revised amount, however the finding remains due to the inability of the District to provide the auditors with signed copies of the agreement.*



---

William J. Rizzetta

Treasurer

Cordoba Ranch Community Development District