

**MEDITERRA SOUTH  
COMMUNITY DEVELOPMENT DISTRICT  
COLLIER COUNTY, FLORIDA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2014**

**MEDITERRA SOUTH COMMUNITY DEVELOPMENT DISTRICT  
COLLIER COUNTY, FLORIDA**

**TABLE OF CONTENTS**

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-6
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	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	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
Notes to the Financial Statements	13-21
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	22
Notes to Required Supplementary Information	23
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	24-25
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA	26
MANAGEMENT LETTER REQUIRED BY CHAPTER 10.550 OF THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA	27-28



## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
Mediterra South Community Development District  
Collier County, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Mediterra South Community Development District, Collier County, Florida (the "District") as of and for the fiscal year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2014, and the respective changes in financial position thereof for the fiscal 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 and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

### **Report on Other Legal and Regulatory Requirements**

We have also issued our report dated March 27, 2015, on our consideration of the District's compliance with the requirements of Section 218.415, Florida Statutes, as required by Rule 10.556(10) of the Auditor General of the State of Florida. The purpose of that report is to provide an opinion based on our examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

March 27, 2015

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Mediterra South Community Development District, Collier County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2014. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

### FINANCIAL HIGHLIGHTS

- The assets of the District plus deferred outflows of resources exceeded its liabilities at the close of the fiscal year ended September 30, 2014 resulting in a net position balance of \$10,073,872.
- The change in the District's total net position in comparison with the prior fiscal year was \$156,340, an increase. The key components of the District's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- At September 30, 2014, the District's governmental funds reported combined ending fund balances of \$1,185,009, a decrease of (\$108,024) in comparison with the prior fiscal year. A portion of the fund balance is restricted for debt service, assigned for subsequent year's expenditures, non-spendable for prepaid item, and the remainder is unassigned fund balance which is available for spending at the District's discretion.

### OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as the introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

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

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

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

#### 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.

## OVERVIEW OF FINANCIAL STATEMENTS (Continued)

### Governmental Funds

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

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

The District maintains two 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 and debt service fund. The general and debt service funds 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 the Financial Statements

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets plus deferred outflows of resources exceeded liabilities at the close of the most recent fiscal year.

Key components of the District's net position are reflected in the following table:

	NET POSITION SEPTEMBER 30,	
	2014	2013
Current and other assets	\$ 1,236,071	\$ 1,326,208
Capital assets, net of depreciation	20,220,052	20,597,084
Total assets	<u>21,456,123</u>	<u>21,923,292</u>
Deferred outflows of resources	131,527	138,755
Current liabilities	274,676	265,041
Long-term liabilities	11,239,102	11,879,474
Total liabilities	<u>11,513,778</u>	<u>12,144,515</u>
Net position		
Net investment in capital assets	9,112,477	8,856,365
Restricted	669,759	753,705
Unrestricted	291,636	307,462
Total net position	<u>\$ 10,073,872</u>	<u>\$ 9,917,532</u>

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The District's net position reflects its investment in capital assets (e.g. land, land improvements, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to residents; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the District's other obligations.

The District's net position increased during the most recent fiscal year. The majority of the increase represents the extent to which ongoing program revenues exceeded the cost of operations and depreciation expense.

Key elements of the change in net position are reflected in the following table:

	CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED SEPTEMBER 30,	
	2014	2013
Revenues:		
Program revenues		
Charges for services	\$ 1,503,851	\$ 1,533,504
Operating grants and contributions	49	169
General revenues		
Unrestricted investment earnings	333	191
Total revenues	<u>1,504,233</u>	<u>1,533,864</u>
Expenses:		
General government	203,809	194,618
Maintenance and operations	590,304	643,088
Interest	553,780	803,913
Total expenses	<u>1,347,893</u>	<u>1,641,619</u>
Change in net position	<u>156,340</u>	<u>(107,755)</u>
Net position - beginning, previously stated	9,917,532	10,306,766
Effect of adoption of GASB No. 65	-	(281,479)
Net position - beginning, as restated	<u>9,917,532</u>	<u>10,025,287</u>
Net position - ending	<u>\$ 10,073,872</u>	<u>\$ 9,917,532</u>

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2014 was \$1,347,893. The costs of the District's activities were primarily funded by program revenues. Program revenues are comprised primarily of assessment. The majority of the decrease in expenses is due to a reduction in interest expense as a result of prepayments and bond refundings during previous years.

## GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2014.

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At September 30, 2014, the District had \$25,289,319 invested in land and improvements, and infrastructure and other capital assets. In the government-wide financial statements depreciation of \$5,069,267 has been taken, which resulted in a net book value of \$20,220,052. More detailed information about the District's capital assets is presented in the notes of the financial statements.

### Capital Debt

At September 30, 2014, the District had \$11,284,632 in Bonds outstanding for its governmental activities. More detailed information about the District's capital debt is presented in the notes of the financial statements.

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

The District does not anticipate any major projects or significant changes to its infrastructure maintenance program for the subsequent fiscal year. In addition, it is anticipated that the general operations of the District will remain fairly constant.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, land owners, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Mediterra South Community Development District's Finance Department at 2300 Glades Road, Suite 410W, Boca Raton, Florida, 33431.



**MEDITERRA SOUTH COMMUNITY DEVELOPMENT DISTRICT  
COLLIER COUNTY, FLORIDA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 146,482
Investments	171,876
Assessments receivable	9,287
Prepays	8,247
Due from other government	420
Restricted assets:	
Investments	899,759
Capital assets:	
Nondepreciable	14,019,205
Depreciable, net	6,200,847
Total assets	<u>21,456,123</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on refunding	131,527
Total deferred outflows of resources	<u>131,527</u>
 <b>LIABILITIES</b>	
Accounts payable	50,898
Due to other government	164
Accrued interest payable	223,614
Non-current liabilities:	
Due within one year	910,000
Due in more than one year	10,329,102
Total liabilities	<u>11,513,778</u>
 <b>NET POSITION</b>	
Net investment in capital assets	9,112,477
Restricted for debt service	669,759
Unrestricted	291,636
Total net position	<u><u>\$ 10,073,872</u></u>

See notes to the financial statements

**MEDITERRA SOUTH COMMUNITY DEVELOPMENT DISTRICT  
COLLIER COUNTY, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
Primary government:				
Governmental activities:				
General government	\$ 203,809	\$ 203,809	\$ -	\$ -
Maintenance and operations	590,304	174,877	-	(415,427)
Interest on long-term debt	553,780	1,125,165	49	571,434
Total governmental activities	1,347,893	1,503,851	49	156,007
General revenues:				
Investment earnings				333
Total general revenues				333
Change in net position				156,340
Net position - beginning				9,917,532
Net position - ending				\$ 10,073,872

See notes to the financial statements

**MEDITERRA SOUTH COMMUNITY DEVELOPMENT DISTRICT  
COLLIER COUNTY, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2014**

	Major Funds		Total Governmental Funds
	General	Debt Service	
<b>ASSETS</b>			
Cash	\$ 146,482	\$ -	\$ 146,482
Investments	171,876	899,759	1,071,635
Assessments receivable	2,849	6,438	9,287
Due from other funds	-	3	3
Due from other government	420	-	420
Prepays	8,247	-	8,247
Total assets	<u>\$ 329,874</u>	<u>\$ 906,200</u>	<u>\$ 1,236,074</u>
<b>LIABILITIES</b>			
Liabilities:			
Accounts payable	\$ 38,235	\$ 12,663	\$ 50,898
Due to other funds	3	-	3
Due to other government	-	164	164
Total liabilities	<u>38,238</u>	<u>12,827</u>	<u>51,065</u>
<b>FUND BALANCES</b>			
Nonspendable:			
Prepaid items	8,247	-	8,247
Restricted for:			
Debt service	-	893,373	893,373
Assigned to:			
For subsequent year's expenditures	27,745	-	27,745
Unassigned	255,644	-	255,644
Total fund balances	<u>291,636</u>	<u>893,373</u>	<u>1,185,009</u>
Total liabilities and fund balances	<u>\$ 329,874</u>	<u>\$ 906,200</u>	<u>\$ 1,236,074</u>

See notes to the financial statements

**MEDITERRA SOUTH COMMUNITY DEVELOPMENT DISTRICT  
COLLIER COUNTY, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET- GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014**

Fund balance - governmental funds \$ 1,185,009

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

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

Cost of capital assets	25,289,319	
Accumulated depreciation	<u>(5,069,267)</u>	20,220,052

Deferred outflows of resources resulting from current or advance refundings are reported in the government-wide financial statements but not on the fund financial statements.

131,527

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

Accrued interest payable	(223,614)	
Bond discounts	45,530	
Bonds payable	<u>(11,284,632)</u>	<u>(11,462,716)</u>

Net position of governmental activities

\$ 10,073,872

See notes to the financial statements

**MEDITERRA SOUTH COMMUNITY DEVELOPMENT DISTRICT  
COLLIER COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	Major Funds		Total Governmental Funds
	General	Debt Service	
<b>REVENUES</b>			
Assessments	\$ 378,686	\$ 1,125,165	\$ 1,503,851
Interest and miscellaneous	333	49	382
Total revenues	<u>379,019</u>	<u>1,125,214</u>	<u>1,504,233</u>
<b>EXPENDITURES</b>			
Current:			
General government	181,573	22,236	203,809
Maintenance and operations	169,890	-	169,890
Debt service:			
Principal	-	642,575	642,575
Interest	-	552,601	552,601
Capital outlay	43,382	-	43,382
Total expenditures	<u>394,845</u>	<u>1,217,412</u>	<u>1,612,257</u>
Excess (deficiency) of revenues over (under) expenditures	(15,826)	(92,198)	(108,024)
Fund balances - beginning	<u>307,462</u>	<u>985,571</u>	<u>1,293,033</u>
Fund balances - ending	<u>\$ 291,636</u>	<u>\$ 893,373</u>	<u>\$ 1,185,009</u>

See notes to the financial statements

**MEDITERRA SOUTH COMMUNITY DEVELOPMENT DISTRICT  
COLLIER COUNTY, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

Net change in fund balances - total governmental funds	\$	(108,024)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; however, the cost of capital assets is eliminated in the statement of activities and capitalized in the statement of net position.		43,382
Depreciation of capital assets is not recognized in the governmental fund statements but is reported as an expense in the statement of activities.		(420,414)
Bond discounts and refunding costs are amortized over the lives of the bonds in the statement of activities, but are recorded as expenditures in the governmental funds.		(9,431)
Repayments of long-term liabilities are reported as expenditures in the governmental fund statement but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities.		642,575
The change in accrued interest on long-term liabilities between the current and prior fiscal year is recorded in the statement of activities but not in the fund financial statements.		8,252
Change in net position of governmental activities	\$	156,340

See notes to the financial statements

**MEDITERRA SOUTH COMMUNITY DEVELOPMENT DISTRICT  
COLLIER COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

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

Mediterra South Community Development District ("District") was created on September 14, 1999 by Collier County Ordinance 99-67 and amended its boundaries on July 2, 2001 by Collier County Ordinance 2001-38, 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, power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of a portion of the infrastructure necessary for community development within the District.

The District is governed by the Board of Supervisors ("Board"), which is composed of five members. The Supervisors are elected by qualified electors living within the District. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has the responsibility for:

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

The District and Mediterra North share the majority of their costs based on a common budget whereby all appropriations are shared based on the total projected equivalent residential units for each District

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Government-Wide and Fund Financial Statements**

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

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

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

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

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

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

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

### **Assessments**

Assessments are non-ad valorem assessments on all platted lots within the District. Assessments are levied each November 1 on property as of the previous January 1 to pay for the operations and maintenance of the District. The fiscal year for which annual assessments are levied begins on October 1 with discounts available for payments through February 28 and become delinquent on April 1. For debt service assessments, amounts collected as advance payments are used to prepay a portion of the Bonds outstanding. Otherwise, assessments are collected annually to provide funds for the debt service on the portion of the Bonds which are not paid with prepaid assessments.

Assessments and interest associated with the current fiscal period are 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.

The District reports the following major governmental funds:

### **General Fund**

The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

### **Debt Service Fund**

The debt service fund is used to account for the accumulation of resources for the annual payment of principal and interest on long-term debt.

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 government's policy to use restricted resources first, then unrestricted resources as they are needed.

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

#### **Restricted Assets**

These assets represent cash and investments set aside pursuant to Bond covenants or other contractual restrictions.



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

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

#### Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits (interest and non-interest bearing).

The District has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. The District may invest any surplus public funds in the following:

- a) The Local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Inter-local Cooperation Act;
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- c) Interest bearing time deposits or savings accounts in qualified public depositories;
- d) Direct obligations of the U.S. Treasury.

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

The District records all interest revenue related to investment activities in the respective funds and reports investments at fair value.

#### Prepaid Items

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

#### Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the District are depreciated using the straight-line method over the assets estimated lives, ranging from 10-30 years.

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.

#### Refunding of Debt

For current refunding and advance refunding resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources/deferred inflow of resources and recognized ratably as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. In connection with the refunding, \$7,228 was recognized as a component of interest expense in the current fiscal year.

#### Unearned Revenue

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

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

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

#### Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future reporting period(s). For example, the District would record deferred outflows of resources on the statement of net position related to debit amounts resulting from current and advance refundings resulting in the defeasance of debt (i.e. when there are differences between the reacquisition price and the net carrying amount of the old debt).

Deferred inflows of resources represent an acquisition of net position that applies to future reporting period(s). For example, when an asset is recorded in the governmental fund financial statements, but the revenue is unavailable, the District reports a deferred inflow of resources on the balance sheet until such times as the revenue becomes available.

#### Long-Term Obligations

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

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

#### Fund Balance/Net Position

In the fund financial statements, governmental funds report non spendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change.

The District can establish limitations on the use of fund balance as follows:

Committed fund balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Supervisors. Commitments may be changed or lifted only by the Board of Supervisors taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned fund balance – Includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. The Board may also assign fund balance as it does when appropriating fund balance to cover differences in estimated revenue and appropriations in the subsequent year's appropriated budget. Assignments are generally temporary and normally the same formal action need not be taken to remove the assignment.

The District first uses committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position in the government-wide financial statements are categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net position related to infrastructure and property, plant and equipment. Restricted net position represents the assets restricted by the District's Bond covenants or other contractual restrictions. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

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

### Other Disclosures

#### Use of Estimates

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

## NOTE 3 – BUDGETARY INFORMATION

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

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

- a) Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- b) Public hearings are conducted to obtain comments.
- c) Prior to October 1, the budget is legally adopted by the District Board.
- d) All budget changes must be approved by the District Board.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
- f) Unused appropriation for annually budgeted funds lapse at the end of the year.

## NOTE 4 – DEPOSITS AND INVESTMENTS

### Deposits

The District's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

### Investments

The District's investments were held as follows at September 30, 2014:

	Fair Value	Credit Risk	Maturities
Money Market Mutual Funds - First American Government Obligation Fund CL Y	\$ 899,759	S&P AAAM	Weighted average of the fund portfolio: 43 days
Money Market Mutual Funds - Federated Treasury Obligations Fund SS	171,876	S&P AAAM	Weighted average of the fund portfolio: 47 days
	<u>\$ 1,071,635</u>		

*Credit risk* – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

*Concentration risk* – The District places no limit on the amount the District may invest in any one issuer.

## NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

### Investments (Continued)

*Interest rate risk* – The District does not have a formal policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

However, the Bond Indenture limits the type of investments held using unspent proceeds.

## NOTE 5 – CAPITAL ASSETS

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

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land and improvements	\$ 14,019,205	\$ -	\$ -	\$ 14,019,205
Total capital assets, not being depreciated	14,019,205	-	-	14,019,205
Capital assets, being depreciated				
Infrastructure	10,777,782	43,382	-	10,821,164
Improvements other than buildings	448,950	-	-	448,950
Total capital assets, being depreciated	11,226,732	43,382	-	11,270,114
Less accumulated depreciation for:				
Infrastructure	4,375,160	375,519	-	4,750,679
Improvements other than buildings	273,693	44,895	-	318,588
Total accumulated depreciation	4,648,853	420,414	-	5,069,267
Total capital assets, being depreciated, net	6,577,879	(377,032)	-	6,200,847
Governmental activities capital assets, net	\$ 20,597,084	\$ (377,032)	\$ -	\$ 20,220,052

Depreciation expense was charged to maintenance and operations function.

## NOTE 6 – LONG TERM LIABILITIES

At September 30, 2014 the District has the following Bond issues outstanding.

### Series 2003

In May 2003 the District issued \$13,145,000 of Capital Improvement Revenue Bonds, Series 2003 consisting of \$5,035,000 Term Bonds Series 2003A due on May 1, 2034 with a fixed interest rate of 6.375% and \$8,110,000 Term Bonds Series 2003B due on May 1, 2010 with a fixed interest rate of 5.50%. During the fiscal year 2010, \$1,195,000 principal payment for the Series 2003B Bonds was extended until May 2015 by the first amendment to the Bond Indenture. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1. Principal on the 2003 Bonds is to be paid serially from May 1, 2005 through May 1, 2034.

In May 2013 the District issued Capital Improvement Revenue Refunding Bonds, Series 2013 (described below) to refund the remaining outstanding Series 2003A Bonds.

The Series 2003B Bonds are not subject to redemption at the option of the District prior to their maturity. The Bonds are subject to extraordinary mandatory redemption prior to their selected maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture. This occurred during the fiscal year ended September 30, 2013 as the District collected prepayment assessments and prepaid \$235,000 of the Series 2003B Bonds.

## **NOTE 6 – LONG TERM LIABILITIES (Continued)**

### **Series 2003 (Continued)**

The Bond Indenture established a debt service reserve requirement as well as other restrictions. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District is in compliance with those requirements of the Bond Indenture at September 30, 2014.

### **Series 2012**

On May 17 2012, the District issued \$13,455,000 Capital Improvement Revenue Refunding Bonds, Series 2012 (the "Series 2012 Bonds"). The Series 2012 Bonds are a combination of Serial Bonds of \$6,355,000 and Term Bonds of \$7,100,000. Serial Bonds gradually mature from May 1, 2013 through May 1, 2023 with variable interest rates ranging from 2.4% to 4.65%. Term Bonds due on May 1, 2031 with a fixed interest rate of 5.10%. Interest is to be paid semiannually on each May 1 and November 1 commencing on November 1, 2012. Principal on the Bonds is to be paid serially commencing May 1, 2013 and ending May 1, 2031.

The Series 2012 Bonds are being issued to refund and redeem all of the outstanding principal amount of the Series 1999A in the amount of \$3,380,000 and the Series 2001 in the amount of \$4,165,000. The District also loaned Bond funds of \$6,025,000 to the Mediterra North CDD pursuant to the Interlocal Agreement (the "North Loan") to finance the refunding and redemption of all of the outstanding principal amount of the North District's Capital Improvement Revenue Bonds, Series 2001A in the amount of \$6,025,000. The North Loan is reported as conduit debt, and accordingly has not been reported in the District's accompanying financial statements.

The Series 2012 Bonds will be payable from and secured by the Series 1999 and 2001 Mediterra South Assessments, and the Series 2001 Mediterra North Assessments paid to the Mediterra South District pursuant to the Interlocal Agreement. In accordance with the terms and provisions of the Interlocal Agreement, the North District has agreed to levy and collect assessments within the North District allocable to the 2001 North Project and to deposit such revenues with the Trustee in order to pay debt service on the Series 2012 Bonds. It is currently estimated that approximately 45% of the total debt service of the Series 2012 Bonds will be paid from revenue received by the Trustee from the North District. All of those Assessments together with the Series 2012 Pledged Funds and Accounts will comprise the Series 2012 Trust Estate as defined in the Master Indenture

Some or all of the Series 2012 Bonds are subject to optional, mandatory and extraordinary mandatory redemption at the times, in the amounts and at the redemption prices.

The Bond Indenture established a debt service reserve requirement as well as other restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirement. The District was in compliance with the requirements at September 30, 2014.

### **Series 2013**

On May 3, 2013, the District issued \$4,030,000 of Capital Improvement Revenue Refunding Bonds, Series 2013. The Series 2013 Bonds were applied together with other legally available funds to currently refund the Series 2003A Bonds. The Series 2013 Bonds consists of \$1,640,000 Term Bond due May 1, 2024 with a fixed interest rate of 4.125% and \$2,390,000 Term Bond due May 1, 2034 with a fixed interest rate of 5%. Interest is paid semiannually on each May 1 and November 1, commencing November 1, 2013. Principal on the Series 2013 Bonds is paid serially and commences on May 1, 2014. The Bonds mature at various dates through May 1, 2034.

Some or all of the Series 2012 Bonds are subject to optional, mandatory and extraordinary mandatory redemption at the times, in the amounts and at the redemption prices.

The Bond Indenture established a debt service reserve requirement as well as other restrictions. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirement. The District was in compliance with the requirements at September 30, 2014.

## NOTE 6 – LONG TERM LIABILITIES (Continued)

### Long-term debt activity

Changes in long-term liability activity for the fiscal year ended September 30, 2014 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 2003B	\$ 735,000	\$ -	\$ (235,000)	\$ 500,000	\$ 500,000
Series 2012	7,162,207	-	(277,575)	6,884,632	285,000
Series 2013	4,030,000	-	(130,000)	3,900,000	125,000
Less: bond discount	(47,733)	-	2,203	(45,530)	-
Total	<u>\$ 11,879,474</u>	<u>\$ -</u>	<u>\$ (640,372)</u>	<u>\$ 11,239,102</u>	<u>\$ 910,000</u>

At September 30, 2014, the scheduled debt service requirements on the long-term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2015	\$ 910,000	\$ 536,674	\$ 1,446,674
2016	425,000	486,432	911,432
2017	440,000	471,040	911,040
2018	455,000	454,491	909,491
2019	470,000	436,730	906,730
2020-2024	2,698,871	1,866,942	4,565,813
2025-2029	3,419,755	1,160,282	4,580,037
2030-2034	2,466,006	293,706	2,759,712
Total	<u>\$ 11,284,632</u>	<u>\$ 5,706,297</u>	<u>\$ 16,990,929</u>

## NOTE 7 – INTERLOCAL AGREEMENT

In April 2012, the District entered an interlocal agreement with the Mediterra North District regarding mutual cooperation for the financing of improvements. In the agreement, the District agree to issue bonds on behalf of itself and loan a portion of proceeds of the Bonds to the Mediterra North District to refund and redeem its Bonds, and may also provide for certain covenants and agreements with respect to the collection, deposit, enforcement and disposition of the Assessments of each District in order to pay debt service on the refunding bonds.

## NOTE 8 – DEVELOPER AND OTHER TRANSACTIONS

For the fiscal year ended September 30, 2014, assessment revenues directly remitted by Mediterra Golf Club were approximately \$79,000 in the general fund and remitted by developers were approximately \$40,000 in the debt service fund.

## NOTE 9 – MANAGEMENT COMPANY

The District has contracted with Wrathell, Hunt and Associates, LLC to perform management advisory services, which include financial and accounting advisory services. Certain employees of the management company also serve as officers of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, computer and other administrative costs.

**NOTE 10 – MAINTENANCE SERVICE AGREEMENT**

On June 26, 2014, the District and Mediterra North Community Development District (“the Districts”) entered into a maintenance service agreement with Mediterra Community Association, Inc. (“the Association”). The Association shall provide landscape maintenance services such as installation and maintenance of landscape materials, including pine straw, grasses of any kind, or other vegetation to certain areas as set forth in the agreement.

**NOTE 11 – RISK MANAGEMENT**

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

**MEDITERRA SOUTH COMMUNITY DEVELOPMENT DISTRICT  
COLLIER COUNTY, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amount Original &amp; Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>REVENUES</b>			
Assessments	\$ 375,537	\$ 378,686	\$ 3,149
Interest and miscellaneous	1,044	333	(711)
Total revenues	<u>376,581</u>	<u>379,019</u>	<u>2,438</u>
<b>EXPENDITURES</b>			
Current:			
General government	176,486	181,573	(5,087)
Maintenance and operations	255,096	169,890	85,206
Capital outlay	-	43,382	(43,382)
Total expenditures	<u>431,582</u>	<u>394,845</u>	<u>36,737</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (55,001)</u>	<u>(15,826)</u>	<u>\$ 39,175</u>
Fund balance - beginning		<u>307,462</u>	
Fund balance - ending		<u>\$ 291,636</u>	

See notes to required supplementary information



**MEDITERRA SOUTH COMMUNITY DEVELOPMENT DISTRICT  
COLLIER COUNTY, FLORIDA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2014.

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



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

To the Board of Supervisors  
Mediterra South Community Development District  
Collier County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Mediterra South Community Development District, Collier County, Florida ("District") as of and for the fiscal year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 27, 2015

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**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.

March 27, 2015



**Grau & Associates**  
CERTIFIED PUBLIC ACCOUNTANTS

2700 North Military Trail • Suite 350  
Boca Raton, Florida 33431  
(561) 994-9299 • (800) 299-4728  
Fax (561) 994-5823  
www.graucpa.com

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE  
REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY  
RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Board of Supervisors  
Mediterra South Community Development District  
Collier County, Florida

We have examined Mediterra South Community Development District, Collier County, Florida's ("District") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2014. Management is responsible for District's compliance with those requirements. Our responsibility is to express an opinion on District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2014.

This report 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, management, and the Board of Supervisors of Mediterra South Community Development District, Collier County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

March 27, 2015



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

To the Board of Supervisors  
Mediterra South Community Development District  
Collier County, Florida

**Report on the Financial Statements**

We have audited the accompanying basic financial statements of Mediterra South Community Development District ("District") as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated March 27, 2015.

**Auditor's Responsibility**

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

**Other Reports and Schedule**

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*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 27, 2015, should be considered in conjunction with this management letter.

**Purpose of this Letter**

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the financial statements of the District, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations.**
- II. Status of prior year findings and recommendations.**
- III. Compliance with the Provisions of the Auditor General of the State of Florida.**

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

We wish to thank Mediterra South Community Development District, Collier County, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements, and the courtesies extended to us.

March 27, 2015

## REPORT TO MANAGEMENT

### I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

### II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

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

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

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

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2013.

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

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2014.

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

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2014.

4. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.

5. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2014 financial audit report.

6. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.

7. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2014. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.