

**THE PRESERVE AT WILDERNESS LAKE  
COMMUNITY DEVELOPMENT DISTRICT  
PASCO COUNTY, FLORIDA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2010**

**THE PRESERVE AT WILDERNESS LAKE COMMUNITY DEVELOPMENT DISTRICT  
PASCO COUNTY, FLORIDA**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Supervisors  
The Preserve at Wilderness Lake Community Development District  
Pasco County, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of The Preserve at Wilderness Lake Community Development District, Pasco County, Florida ("District") as of and for the fiscal year ended September 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2012, 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, 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* and should be considered in assessing the results of our audit.

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.

  
February 29, 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of The Preserve at Wilderness Lake Community Development District, Pasco County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2010. 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 exceeded its liabilities at the close of the fiscal year ended September 30, 2010 resulting in a net asset balance of \$3,145,840.
- The change in the District's total net assets in comparison with the prior fiscal year was \$142,364, an increase. The key components of the District's net assets and change in net assets are reflected in the table in the government-wide financial statements analysis section.
- At September 30, 2010, the District's governmental funds reported combined ending fund balance of \$2,007,693 an increase of \$276,171 in comparison with the prior year. A portion of the fund balance is reserved for debt service and other items and the remainder is unreserved 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 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 assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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), recreation 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 balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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 assets may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities at the close of the most recent fiscal year.

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

	NET ASSETS	
	SEPTEMBER 30,	
	2010	2009
Assets, excluding capital assets	\$ 2,308,164	\$ 2,029,464
Capital assets, net of depreciation	8,154,520	8,380,211
Total assets	10,462,684	10,409,675
Liabilities, excluding long-term liabilities	276,844	241,199
Long-term liabilities	7,040,000	7,165,000
Total liabilities	7,316,844	7,406,199
Net assets		
Invested in capital assets, net of related debt	1,317,912	1,427,258
Restricted for:		
Debt service	854,509	831,709
Unrestricted	973,419	744,509
Total net assets	\$ 3,145,840	\$ 3,003,476

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

A portion of the District's net assets 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.

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

The District's net assets 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 assets are reflected in the following table:

CHANGES IN NET ASSETS FOR THE FISCAL YEAR ENDED SEPTEMBER 30,		
	2010	2009
Revenues:		
Program revenues	\$ 2,259,039	\$ 2,444,735
General revenues	4,734	5,150
Total revenues	<u>2,263,773</u>	<u>2,449,885</u>
Expenses:		
General government	125,379	122,471
Infrastructure and maintenance costs	782,240	823,036
Recreation	758,133	707,919
Interest	455,657	466,379
Total expenses	<u>2,121,409</u>	<u>2,119,805</u>
Change in net assets	142,364	330,080
Net assets - beginning	<u>3,003,476</u>	<u>2,673,396</u>
Net assets - ending	<u>\$ 3,145,840</u>	<u>\$ 3,003,476</u>

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2010 was \$2,121,409. The majority of the costs of the District's activities were paid by program revenues. Program revenues, comprised primarily of assessments, decreased during the fiscal year. The prior year assessments were higher as a result of funds received to pay off outstanding debt.

## 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. The general fund budget for the fiscal year ended September 30, 2010 was amended to increase revenues and appropriations by \$20,000. Actual expenditures in the general fund did not exceed appropriations for the fiscal year ended September 30, 2010.

The variance between actual and budgeted revenues was mainly a result of homeowners not taking advantage of the discount resulting in higher than anticipated revenues. The actual general fund expenditures for the 2010 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, 2010, the District had \$10,618,872 invested in improvements in progress, infrastructure capital assets, buildings, and furniture and equipment. In the government-wide financial statements depreciation of \$2,464,352 has been taken, which resulted in a net book value of \$8,154,520. More detailed information about the District's capital assets is presented in the notes of the financial statements.

### Capital Debt

At September 30, 2010, the District had \$7,040,000 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 YEARS BUDGETS AND OTHER EVENTS

The District plans on a refurbishment and a minimal expansion of its fitness and spa facilities. However, 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 Preserve at Wilderness Lake Community Development District's Finance Department at 5680 W. Cypress Street, Suite A, Tampa, Florida 33607.

## **FINANCIAL STATEMENTS**

**THE PRESERVE AT WILDERNESS LAKE COMMUNITY DEVELOPMENT DISTRICT  
PASCO COUNTY, FLORIDA  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2010**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 783,504
Investments	200,000
Accounts receivable	23,714
Accrued interest receivable	5
Deferred charges	203,392
Prepays	61,585
Deposits	2,218
Restricted assets:	
Temporarily restricted	
Investments	1,033,746
Capital assets:	
Non-depreciable assets	700
Depreciable, net	8,153,820
Total assets	10,462,684
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	92,306
Accrued interest payable	184,342
Due to Developer	196
Non-current liabilities:	
Due within one year	135,000
Due in more than one year	6,905,000
Total liabilities	7,316,844
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	1,317,912
Restricted for debt service	854,509
Unrestricted	973,419
Total net assets	\$ 3,145,840

See notes to the financial statements

**THE PRESERVE AT WILDERNESS LAKE COMMUNITY DEVELOPMENT DISTRICT  
PASCO COUNTY, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary government:				
Governmental activities:				
General government	\$ 125,379	\$ 125,379	\$ -	\$ -
Maintenance and operations	782,240	782,240	-	-
Recreation	758,133	730,859	25,759	(1,515)
Interest on long-term debt	455,657	585,911	8,891	139,145
Total governmental activities	2,121,409	2,224,389	34,650	137,630
General revenues:				
Unrestricted investment earnings				4,734
Total general revenues				4,734
Change in net assets				142,364
Net assets - beginning				3,003,476
Net assets - ending				\$ 3,145,840

See notes to the financial statements

**THE PRESERVE AT WILDERNESS LAKE COMMUNITY DEVELOPMENT DISTRICT  
PASCO COUNTY, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2010**

	Major Funds		Non-major Fund	Total Governmental Funds
	General	Debt Service	Capital Projects	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 783,504	\$ -	\$ -	\$ 783,504
Investments	200,000	1,033,550	196	1,233,746
Accounts receivable	18,415	5,299	-	23,714
Accrued interest receivable	3	2	-	5
Prepays	61,585	-	-	61,585
Deposits	2,218	-	-	2,218
Total assets	<u>\$ 1,065,725</u>	<u>\$ 1,038,851</u>	<u>\$ 196</u>	<u>\$ 2,104,772</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued expenses	\$ 92,306	\$ -	\$ -	\$ 92,306
Deferred revenue	3,350	1,227	-	4,577
Due to Developer	-	-	196	196
Total liabilities	<u>95,656</u>	<u>1,227</u>	<u>196</u>	<u>97,079</u>
Fund balances:				
Reserved for:				
Debt service	-	1,037,624	-	1,037,624
Other	63,803	-	-	63,803
Unreserved, designated for:				
Capital and maintenance expenditures	463,901	-	-	463,901
Unreserved, undesignated	442,365	-	-	442,365
Total fund balances	<u>970,069</u>	<u>1,037,624</u>	<u>-</u>	<u>2,007,693</u>
Total liabilities and fund balances	<u>\$ 1,065,725</u>	<u>\$ 1,038,851</u>	<u>\$ 196</u>	<u>\$ 2,104,772</u>

See notes to the financial statements

**THE PRESERVE AT WILDERNESS LAKE COMMUNITY DEVELOPMENT DISTRICT  
PASCO COUNTY, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET –  
GOVERNMENTAL FUNDS TO THE STATEMENTS OF NET ASSETS  
SEPTEMBER 30, 2010**

Fund balance - governmental funds		\$ 2,007,693
Amounts reported for governmental activities in the statement of net assets are different because:		
Assets that are not available to pay for current-period expenditures are deferred in the fund financial statements.		
		4,577
Capital assets used in governmental activities are not financial therefore, are not reported as assets in the governmental funds. The statement of net assets includes those capital assets, net of any accumulated depreciation, in the net assets of the government as a whole.		
Cost of capital assets	10,618,872	
Accumulated depreciation	<u>(2,464,352)</u>	8,154,520
Bond issuance costs are not financial resources and, therefore are not reported as assets in the governmental funds. The statements of net assets includes these costs, net of amortization.		
Bond issuance costs	259,650	
Accumulated amortization	<u>(56,258)</u>	203,392
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	(184,342)	
Bonds payable	<u>(7,040,000)</u>	(7,224,342)
Net assets of governmental activities		<u><u>\$ 3,145,840</u></u>

See notes to the financial statements

**THE PRESERVE AT WILDERNESS LAKE COMMUNITY DEVELOPMENT DISTRICT  
PASCO COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	Major Funds		Total Governmental Funds
	General	Debt Service	
<b>REVENUES</b>			
Assessments	\$ 1,620,622	\$ 593,343	\$ 2,213,965
Miscellaneous	63,917	-	63,917
Interest income	4,734	8,891	13,625
Total revenues	<u>1,689,273</u>	<u>602,234</u>	<u>2,291,507</u>
<b>EXPENDITURES</b>			
Current:			
General government	125,379	-	125,379
Maintenance and operations	639,792	-	639,792
Recreation	605,968	-	605,968
Debt Service:			
Principal	-	125,000	125,000
Interest	-	450,275	450,275
Capital outlay	68,922	-	68,922
Total expenditures	<u>1,440,061</u>	<u>575,275</u>	<u>2,015,336</u>
Excess (deficiency) of revenues over (under) expenditures	249,212	26,959	276,171
Fund balances - beginning	<u>720,857</u>	<u>1,010,665</u>	<u>1,731,522</u>
Fund balances - ending	<u>\$ 970,069</u>	<u>\$ 1,037,624</u>	<u>\$ 2,007,693</u>

See notes to the financial statements

**THE PRESERVE AT WILDERNESS LAKE COMMUNITY DEVELOPMENT DISTRICT  
PASCO 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, 2010**

Net change in fund balances - total governmental funds	\$ 276,171
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures, However, in the statement of activities, the cost of those assets is eliminated and capitalized as capital assets.	68,922
Revenues in the statement of activities that do not provide current financial resources are deferred and not reported as revenues in the fund financial statements.	4,577
Depreciation on capital assets is not recognized in the governmental fund statement but is reported as an expense in the statement of activities.	(294,613)
Repayment of long-term liabilities are reported as expenditures in the governmental fund statement but such repayments reduce liabilities in the statement of net assets and are eliminated in the statement of activities.	125,000
Certain revenues were deferred for the fund financial statements in the prior year. In the current year, these revenues were recorded in the fund financial statements.	(32,311)
Amortization of deferred charges is not recognized in the governmental fund statement but is reported as an expense in the statement of activities.	(8,655)
Change in accrued interest between the current year and prior year is accrued on the statement of activities while the amount is not recorded on the fund financial statements.	3,273
Change in net assets of governmental activities	<u>\$ 142,364</u>

See notes to the financial statements

**THE PRESERVE AT WILDERNESS LAKE COMMUNITY DEVELOPMENT DISTRICT  
PASCO COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

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

The Preserve at Wilderness Lake Community Development District ("District") was created on February 13, 2001 by the Pasco County Board of County Commissioners pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes, under Pasco County Ordinance 01-05. 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 is governed by the Board of Supervisors ("Board"), which at September 30, 2010 is comprised of five members. The Supervisors are elected on an at large basis by the owners of the property within the District. Ownership of land within the District entitles the owner to one vote per acre. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes. One of the five Supervisors is affiliated with Lindell Investments II, Inc. ("Developer") at September 30, 2010.

The Board has the final responsibility for:

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

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement 14, and Statement 39, an amendment of GASB Statement 14. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District Board of Supervisors is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

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

**Government-Wide and Fund Financial Statements**

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

The government-wide financial statements (i.e., the statement of net assets 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. All other revenue items are considered to be measurable and available only when cash is received by the District.

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.

### **Capital Projects Fund**

This fund accounts for the financial resources to be used for the acquisition or construction of major infrastructure within the District financed with 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 District's policy to use restricted resources first for qualifying expenditures, then unrestricted resources as they are needed.

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

### Assets, Liabilities and Net Assets or Equity

#### Restricted Assets

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

#### Deposits and Investments

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

The District has adopted a written investment policy, which complies with the requirements of Section 218.415 Florida Statutes. All investments comply with the requirements of the written investment policy. The District may invest any surplus public funds in the following:

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

Securities listed in paragraphs c and d shall be invested to provide sufficient liquidity to pay obligations as they come due. In addition, any unspent proceeds are required to be held in investments allowed in the Bond Indenture.

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 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>
Computer Equipment	3
Furniture, fixtures and equipment	7
Buildings	40
Infrastructure	40

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

### **Assets, Liabilities and Net Assets or Equity (Continued)**

#### Capital Assets (Continued)

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.

#### Deferred Charges

In a prior year, in connection with the issuance of certain debt, the District incurred costs totaling \$259,650. In the government-wide financial statements that amount has been capitalized and amortized over the estimated life of the Bonds. At September 30, 2010 the District reported accumulated amortization of \$56,258.

#### Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

#### 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the Bonds using the straight line method, which does not result in a material difference from the effective interest method. Bonds payable are reported net of applicable premiums or discounts.

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 capital project expenditures.

#### Fund Equity/Net Assets

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

Net assets in the government-wide financial statements are categorized as invested in capital assets, net of related debt, restricted or unrestricted. Invested in capital assets, net of related debt represents net assets related to infrastructure and property, plant and equipment, net of any related debt. Restricted net assets represent the assets restricted by the District's Bond covenants or other contractual restrictions

### **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 and certificate of deposits 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, 2010:

	<u>Fair Value</u>	<u>Credit Risk</u>	<u>Maturities</u>
First American Government Obligation Fund Class Y	\$ 498,265	S&P AAAm	Weighted Average of the fund portfolio: 50 Days
Municipal Issues	60,800	*	July 1, 2011
Mich. St. Hosp. Fin Auth.	20,302	Moodys AA1	August 1, 2011
Municipal Issues	82,213	**	October 1, 2011
Jefferson County, Al.	39,038	S&P AAA	February 1, 2012
Volusia County, Fl.	89,709	S&P AAA	October 1, 2013
Caterpillar Fin. Serv. Corp.	50,375	S&P A	December 1, 2010
HSBC Finance Corp.	36,234	S&P A	May 15, 2011
Wells Fargo Company	156,810	S&P A+	August 1, 2011
Certificate of deposits	200,000	N/R	September 8, 2015
Total Investments	<u>\$ 1,233,746</u>		

\* S&P Ratings of AA and A

\*\*S&P Ratings of AAA and Moodys AA1, AA3

## NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

### Investments (Continued)

*Custodial risk* – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The District has no formal policy for custodial risk. The money market mutual funds are not evidenced by securities that exist in physical or book entry form. The municipal and corporate issue investments are held by the trustee or agent but not in the District's name.

*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.

*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 bond proceeds.

## NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Improvements in progress	\$ -	\$ 700	\$ -	\$ 700
Total capital assets, not being depreciated	-	700	-	700
Capital assets, being depreciated				
Infrastructure	\$ 5,685,168	\$ 12,771	\$ -	\$ 5,697,939
Buildings	4,158,637	-	-	4,158,637
Furniture, fixtures, and equipment	706,145	55,451	-	761,596
Total capital assets, being depreciated	10,549,950	68,222	-	10,618,172
Less accumulated depreciation for:				
Infrastructure	746,418	142,448	-	888,866
Buildings	807,907	103,966	-	911,873
Furniture, fixtures, and equipment	615,414	48,199	-	663,613
Total accumulated depreciation	2,169,739	294,613	-	2,464,352
Total capital assets, being depreciated, net	8,380,211	(226,391)	-	8,153,820
Governmental activities capital assets, net	\$ 8,380,211	\$ (225,691)	\$ -	\$ 8,154,520

Depreciation was allocated as follows:

Recreation	\$ 152,165
Maintenance and Operations	142,448
Total depreciation	<u>\$ 294,613</u>

## NOTE 6 - LONG TERM LIABILITIES

### Series 2002

On January 31, 2002 the District issued \$13,820,000 of Capital Improvement Revenue Bonds, consisting of Series 2002A Bonds for \$2,500,000, due May 1, 2033, with a fixed interest rate of 7.1%, Series 2002B-1 Bonds for \$6,585,000 which were previously paid off, Series 2002B-2 for \$4,735,000 which were previously paid off. 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 Series 2002A Bonds is to be paid serially commencing May 1, 2004 through May 1, 2033.

The Series 2002A Bonds are subject to redemption at the option of the District prior to their maturity. The Series 2002B Bonds were not subject to optional redemption. The Bonds were 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.

The Bond Indenture established a debt service reserve requirement as well as other restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District was in compliance with the requirements at September 30, 2010.

### Series 2004

On April 1, 2004 the District issued \$7,640,000 of Capital Improvement Revenue Bonds, consisting of Series 2004A Bonds for \$5,260,000, due May 1, 2034, with a fixed interest rate of 5.9%, Series 2004B Bonds for \$2,380,000 which were previously paid off. 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 Series 2004A Bonds is to be paid serially commencing May 1, 2005 through May 1, 2034.

The Series 2004A Bonds are subject to redemption at the option of the District prior to their maturity on or after May 1, 2013. The Series 2004B Bonds were not subject to optional redemption. The Bonds were 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.

The Bond Indenture established a debt service reserve requirement as well as other restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District was not in compliance with the reserve requirement at September 30, 2010, however the reserve was replenished subsequent to year end. The deficiency was due to the valuation of the investments at September 30, 2010 and was not considered significant.

Changes in long-term liability activity for the fiscal year ended September 30, 2010 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 2002	\$ 2,295,000	\$ -	\$ 40,000	\$ 2,255,000	\$ 40,000
Series 2004	4,870,000	-	85,000	4,785,000	95,000
Governmental activity long-term liabilities	<u>\$ 7,165,000</u>	<u>\$ -</u>	<u>\$ 125,000</u>	<u>\$ 7,040,000</u>	<u>\$ 135,000</u>

## NOTE 6 - LONG TERM LIABILITIES (Continued)

At September 30, 2010, the scheduled debt service requirements on the long - term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2011	\$ 135,000	\$ 442,420	\$ 577,420
2012	145,000	433,975	578,975
2013	150,000	424,880	574,880
2014	160,000	415,490	575,490
2015	175,000	405,450	580,450
2016-2020	1,040,000	1,849,360	2,889,360
2021-2025	1,425,000	1,476,745	2,901,745
2026-2030	1,950,000	966,200	2,916,200
2031-2034	1,860,000	278,640	2,138,640
Total	\$ 7,040,000	\$ 6,693,160	\$ 13,733,160

## NOTE 7 - MANAGEMENT COMPANY

The District has contracted with a management company to perform management advisory services, which include financial and accounting advisory services. Certain employees of the management company also serve as officers (Board appointed non-voting positions) of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, and other administrative costs.

## 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. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

## NOTE 9 – SUBSEQUENT EVENTS

### Bond Payment

In November 2011, the District prepaid \$15,000 of the Series 2002A Bonds. The prepayments were considered extraordinary mandatory redemptions as outlined in the Bond Indenture.

### Claims

The District filed an insurance claim in August of 2010 relating to structural damage caused by a vehicle accident. The District subsequently received a settlement check for \$12,465.

**THE PRESERVE AT WILDERNESS LAKE COMMUNITY DEVELOPMENT DISTRICT  
PASCO COUNTY, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	Original	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Assessments	\$ 1,577,351	\$ 1,577,351	\$ 1,620,622	\$ 43,271
Rental revenue	6,000	6,000	9,121	3,121
Interest earnings	7,000	7,000	4,734	(2,266)
Concessions and events	26,585	26,585	17,108	(9,477)
Miscellaneous	16,410	36,410	37,688	1,278
Total revenues	<u>1,633,346</u>	<u>1,653,346</u>	<u>1,689,273</u>	<u>35,927</u>
<b>EXPENDITURES</b>				
Current:				
General government	131,576	131,576	125,379	6,197
Maintenance and operations	800,430	820,430	639,792	180,638
Recreation	683,137	683,137	605,968	77,169
Capital outlay	111,803	111,803	68,922	42,881
Total expenditures	<u>1,726,946</u>	<u>1,746,946</u>	<u>1,440,061</u>	<u>306,885</u>
Excess (deficiency) of revenues over (under) expenditures	(93,600)	(93,600)	249,212	342,812
<b>OTHER FINANCING SOURCES</b>				
Use of fund balance	<u>93,600</u>	<u>93,600</u>	<u>-</u>	<u>(93,600)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	249,212	<u>\$ 249,212</u>
Fund balance - beginning			<u>720,857</u>	
Fund balance - ending			<u>\$ 970,069</u>	

See notes to required supplementary information

**THE PRESERVE AT WILDERNESS LAKE COMMUNITY DEVELOPMENT DISTRICT  
PASCO COUNTY, FLORIDA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

The legal level of budgetary control, the level at which expenditures may not exceed budget is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The general fund budget for the fiscal year ended September 30, 2010 was amended to increase revenues and appropriations by \$20,000. Actual expenditures in the general fund did not exceed appropriations for the fiscal year ended September 30, 2010.

The variance between actual and budgeted revenues was mainly a result of homeowners not taking advantage of the discount resulting in higher than anticipated revenues. The actual general fund expenditures for the 2010 fiscal year were lower than budgeted amounts due primarily to anticipated costs which were not incurred in the current fiscal year.



**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  
The Preserve at Wilderness Lake Community Development District  
Pasco County, Florida

We have audited the financial statements of the governmental activities and each major fund of The Preserve at Wilderness Lake Community Development District, Pasco County, Florida ("District") as of and for the fiscal year ended September 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 29, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

*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.*

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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*.

This report is intended for the information of the management, Board of Supervisors of The Preserve at Wilderness Lake Community Development District, Pasco County, Florida and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

February 29, 2012



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

To the Board of Supervisors  
The Preserve at Wilderness Lake Community Development District  
Pasco County, Florida

We have audited the accompanying basic financial statements of The Preserve at Wilderness Lake Community Development District ("District") as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated February 29, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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.

In addition, we have issued our Report on Internal Control over Financial Reporting and Compliance and Other Matters dated February 29, 2012. Disclosures in that report should be considered in conjunction with this management letter.

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

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

This report is intended for the information and use of management, Board of Supervisors of The Preserve at Wilderness Lake Community Development District, Pasco County, Florida and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank The Preserve at Wilderness Lake Community Development District, Pasco 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.

February 29, 2012

## 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, 2009.

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

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

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

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the year ended September 30, 2010.

4. Violations of provisions of contracts and 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 more than inconsequential.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the year ended September 30, 2010.

5. For matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors, the following may be reported based on professional judgment:

- a. Violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse.
- b. Deficiencies in internal control that are not significant deficiencies.

There were no such matters discovered by, or that came to the attention of, the auditor, that, in our judgment, are required to be reported, for the fiscal year ended September 30, 2010.

6. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.
7. 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, 2010 financial audit report.

## REPORT TO MANAGEMENT (Continued)

8. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
9. We applied financial condition assessment procedures pursuant to Rule 10.556(7) and no deteriorating financial conditions were noted. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.