

**MEADOW POINTE IV  
COMMUNITY DEVELOPMENT DISTRICT**

**FINANCIAL REPORT**

**YEAR ENDED SEPTEMBER 30, 2015**

**MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT  
TABLE OF CONTENTS  
SEPTEMBER 30, 2015**

	<u>PAGE</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	1 - 3
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b> (required supplemental information)	4 - 7
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>Government-Wide Financial Statements</b>	
Statement of Net Position	8
Statement of Activities	9
<b>Fund Financial Statements</b>	
Governmental Fund Financial Statements:	
Balance Sheet	10
Reconciliation of the Balance Sheet to the Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balances	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
<b>Notes to Financial Statements</b>	14 - 30
<b>REQUIRED SUPPLEMENTAL INFORMATION</b> (other than MD&A)	
Budget to Actual Comparison Statement - General Fund	31
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	32 - 33
Management Letter and Attestation Report on Compliance with Section 218.415 Florida Statutes	34 - 40
Response to the Management Comments	41 - 42



## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
Meadow Pointe IV Community Development District  
Pasco County, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the *Meadow Pointe IV Community Development District* ("District"), as of and for the year ended September 30, 2015, and related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessments 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.

## Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Adverse
General Fund	Unmodified
Debt Service Fund	Unmodified
Capital Projects Fund	Unmodified

### Basis for Adverse Opinion on Governmental Activities

Management has not included financial data for the Special Purpose Entity ("SPE"), which is a legally separate discrete component unit. Accounting principles generally accepted in the United States of America require financial data of this component unit to be reported with the financial data of the District if the nature and significance of its relationship with the District is such that, if excluded, the financial statements of the District would be considered misleading. We believe that the exclusion of the financial data of the above mentioned component unit results in financial statements that are misleading. The amount by which this departure would affect the assets, liabilities, net position, revenues and expenses of the governmental activities is not reasonably determinable.

### Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Governmental Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities of the District, as of September 30, 2015, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each major fund of the District, as of September 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of Matters

The District has been unable to make its debt service payments on the Series 2004, Series 2005, Series 2007 and Series 2012B-2 Bonds because three significant landowners did not pay their debt service assessments. In 2011, these landowners deeded a significant portion of their property to a Special Purpose Entity ("SPE") in lieu of the District foreclosing on their properties. The SPE was formed by the Trustee, on behalf of the Bondholders, to own, manage and dispose of the property and is responsible for funding current operating and maintenance costs of the District. The Trustee has directed the District to temporarily defer collection of the debt service assessments encumbering the property. The SPE is funded by the Trust Estate at the direction of the Trustee. In the current year, the District issued the Series 2015 Bonds in exchange for the Series 2003 Bonds.

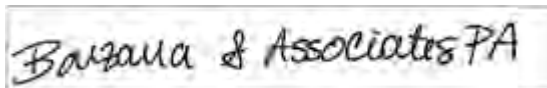
## **Other Matters**

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Budget to Actual Comparison Statement on pages 4 through 7 and 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated March 4, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

A rectangular box containing a handwritten signature in black ink that reads "Barzana & Associates PA".

**Barzana & Associates, P.A.**

Tampa, Florida  
March 4, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the *Meadow Pointe IV Community Development District's*, (the "District") financial accomplishments provide an overview of the District's financial activities for the year ended September 30, 2015. Please read it in conjunction with the District's Independent Auditor's Report, financial statements and accompanying notes.

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

### Financial Highlights

- The assets of the District exceeded its liabilities at September 30, 2015 by \$29,250,708, an increase in net position of \$860,252 in comparison with the prior year.
- At September 30, 2015, the District's governmental funds reported a total deficit fund balance of \$(4,562,980), an increase in the deficit of \$4,449,754 in comparison with the prior year.

### Overview of the Financial Statements

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

### Government-Wide Financial Statements

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

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

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

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Fund Financial Statements

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

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

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

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

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

### Notes to Financial Statements

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

### Government-Wide Financial Analysis

Statement of Net Position - The District's net position was \$29,250,708 at September 30, 2015. The analysis that follows focuses on the net position of the District's governmental activities.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

#### Meadow Pointe IV Community Development District Statement of Net Position

	September 30, 2015	September 30, 2014
<b>Assets</b>		
Current and other assets	\$ 2,800,062	\$ 2,622,566
Capital assets, net	54,657,777	54,726,621
Total assets	57,457,839	57,349,187
<b>Liabilities</b>		
Current Liabilities	7,923,317	3,359,726
Long-term liabilities	20,283,814	26,159,005
Total Liabilities	28,207,131	29,518,731
<b>Net Position</b>		
Net investment in capital assets	33,359,623	32,115,419
Restricted for capital projects	927,909	479,752
Unrestricted	(5,036,824)	(4,764,715)
Total net position	29,250,708	27,830,456
Total liabilities and net position	\$ 57,457,839	\$ 57,349,187

The following is a summary of the District's governmental activities for the fiscal years ended September 30, 2015 and 2014.

#### Changes in Net Position Year ended September 30,

	2015	2014
<b>Revenues:</b>		
Program revenues:	\$ 3,207,316	\$ 2,262,226
General revenues	2,333	2,730
Total revenues	3,209,649	2,264,956
<b>Expenses:</b>		
General government	149,460	155,053
Physical environment	319,820	310,807
Culture and recreation	203,174	194,092
Roads and streets	6,893	16,572
Interest on long-term debt	1,568,651	2,550,460
Total expenses	2,247,998	3,226,984
<b>Special Items:</b>		
Debt proceeds	-	1,351,815
Debt restructured	(241,399)	-
Gain on sale of land	-	1,500
Gain on debt forgiveness	140,000	100,380
Total special items	(101,399)	1,453,695
Increases (decreases) in net position	860,252	491,667
Net position, beginning, previously stated	27,830,456	27,338,789
Prior period adjustment (Note 4)	560,000	-
Net position, beginning, as restated	28,390,456	27,338,789
Net position, ending	\$ 29,250,708	\$ 27,830,456



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Financial Analysis of the Government's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At September 30, 2015, the District's governmental funds reported a combined ending fund deficit of \$(4,562,980). Of this total, \$927,909 is restricted, \$34,091 is nonspendable, \$53,356 is assigned and the remainder is a negative unassigned fund balance of \$(5,578,336).

The general fund balance increased by \$82,301 from the prior year because revenues exceeded expenditures.

The debt service fund balance decreased by \$4,980,212 from the prior year primarily because of unpaid matured principal and interest on the bonds were accrued.

The capital projects fund balance increased by \$448,157.

### General Fund Budgetary Highlights

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. There were no budget amendments to the September 30, 2015 general fund budget. The legal level of budgetary control is at the fund level.

### Capital Asset and Debt Administration

**Capital Assets** - At September 30, 2015, the District had \$54,657,777 invested in capital assets, net of accumulated depreciation. More detailed information about the District's capital assets is presented in the notes to the financial statements.

**Capital Debt** - At September 30, 2015, the District had \$24,848,814 in bonds outstanding. More detailed information about the District's capital debt is presented in the notes to the financial statements.

### Requests for Information

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

**MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash	\$ 101,646
Investments	203,358
Accounts receivable	800
Prepaid costs	28,200
Deposits	5,891
Restricted assets:	
Temporarily restricted investments	2,460,167
Capital assets not being depreciated	53,089,900
Capital assets being depreciated, net	1,567,877
Total assets	57,457,839
<b>Liabilities</b>	
Accounts payable and accrued expenses	16,703
Accrued interest payable	560,275
Matured interest payable	2,781,339
Matured bonds payable	4,565,000
Non-current liabilities:	
Due within one year	1,680,000
Due in more than one year	18,603,814
Total liabilities	28,207,131
<b>Net position</b>	
Net investment in capital assets	33,359,623
Restricted for capital projects	927,909
Unrestricted	(5,036,824)
Total net position	\$ 29,250,708

See accompanying notes to financial statements.

**MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Functions / Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Primary government:						
Governmental activities:						
General government	\$ (149,460)	\$ 278,782	\$ 611,297	\$ -	\$ 740,619	
Physical environment	(319,820)	596,549	-	-	276,729	
Culture and recreation	(203,174)	250,538	-	-	47,364	
Roads and streets	(6,893)	12,880	-	-	5,987	
Interest on long-term debt	(1,568,651)	1,457,253	15	2	(111,381)	
Total governmental activities	<u>\$ (2,247,998)</u>	<u>\$ 2,596,002</u>	<u>\$ 611,312</u>	<u>\$ 2</u>	<u>959,318</u>	
<b>General revenues</b>						
Investment interest and other revenue					<u>2,333</u>	
Special items:						
Debt restructure					(241,399)	
Debt Forgiveness					<u>140,000</u>	
Total special items					<u>(101,399)</u>	
Change in net position					860,252	
Net position - beginning, previously stated					27,830,456	
Prior period adjustment (Note 4)					<u>560,000</u>	
Net position - beginning, as restated					<u>28,390,456</u>	
Net position - ending					<u>\$ 29,250,708</u>	

See accompanying notes to financial statements.

**MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2015**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>Assets</b>				
Cash	\$ 101,646	\$ -	\$ -	\$ 101,646
Investments	203,358	1,532,258	927,909	2,663,525
Accounts receivables	800	-	-	800
Prepaid costs	28,200	-	-	28,200
Deposits	5,891	-	-	5,891
Total assets	<u>\$ 339,895</u>	<u>\$ 1,532,258</u>	<u>\$ 927,909</u>	<u>\$ 2,800,062</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 10,516	\$ -	\$ -	\$ 10,516
Accrued expenses	6,187	-	-	6,187
Matured interest payable	-	7,346,339	-	7,346,339
Total liabilities	16,703	7,346,339	-	7,363,042
<b>Fund balances</b>				
<b>Non-Spendable:</b>				
Prepaid items	28,200	-	-	28,200
Deposits	5,891	-	-	5,891
<b>Restricted for:</b>				
Capital projects	-	-	927,909	927,909
<b>Assigned to:</b>				
Capital reserve	53,356	-	-	53,356
Unassigned	235,745	(5,814,081)	-	(5,578,336)
Total fund balances	<u>323,192</u>	<u>(5,814,081)</u>	<u>927,909</u>	<u>(4,562,980)</u>
Total liabilities and fund balances	<u>\$ 339,895</u>	<u>\$ 1,532,258</u>	<u>\$ 927,909</u>	<u>\$ 2,800,062</u>

See accompanying notes to financial statements.

**MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT  
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015**

Total fund balances, governmental funds	\$ (4,562,980)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements.	54,657,777
Government funds report unpaid mature bonds principal as a liability on the Balance Sheet, whereas these liabilities reduce non-current liabilities in the Statement of Net Position.	4,565,000
Liabilities not due and payable from current resources, including accrued interest, are not reported in the fund financial statements.	<u>(25,409,089)</u>
Total net position - governmental activities	<u>\$ 29,250,708</u>

See accompanying notes to financial statements.

**MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>Revenues</b>				
Special assessments	\$ 690,471	\$ 1,457,253	\$ -	\$ 2,147,724
Impact fees	-	-	105,720	105,720
Mobility fees	-	-	342,558	342,558
Interest and other revenues	2,333	15	2	2,350
Total revenues	<u>692,804</u>	<u>1,457,268</u>	<u>448,280</u>	<u>2,598,352</u>
<b>Expenditures</b>				
Current:				
General government	149,460	-	-	149,460
Physical environment	319,820	-	-	319,820
Culture and recreation	134,330	-	-	134,330
Roads and streets	6,893	-	-	6,893
Debt service:				
Principal	-	5,285,000	-	5,285,000
Interest	-	1,342,051	-	1,342,051
Bond issuance costs	-	180,450	-	180,450
Total expenditures	<u>610,503</u>	<u>6,807,501</u>	<u>-</u>	<u>7,418,004</u>
Excess (deficiency) of revenues over expenditures	<u>82,301</u>	<u>(5,350,233)</u>	<u>448,280</u>	<u>(4,819,652)</u>
<b>Other Financing Sources (Uses)</b>				
Bond restructure	-	(241,399)	-	(241,399)
Proceeds from SPE	-	611,297	-	611,297
Transfer in	-	123	-	123
Transfer out	-	-	(123)	(123)
Total other financing sources and (uses)	<u>-</u>	<u>370,021</u>	<u>(123)</u>	<u>369,898</u>
Net change in fund balances	82,301	(4,980,212)	448,157	(4,449,754)
Fund balances, beginning of year	<u>240,891</u>	<u>(833,869)</u>	<u>479,752</u>	<u>(113,226)</u>
Fund balances, end of year	<u>\$ 323,192</u>	<u>\$ (5,814,081)</u>	<u>\$ 927,909</u>	<u>\$ (4,562,980)</u>

See accompanying notes to financial statements.

**MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Net change in fund balances - governmental funds	\$	(4,449,754)
Depreciation on capital assets is not recognized in the fund financial statements but is reported as an expense in the Statement of Activities.		(68,844)
The accretion of interest is not recognized in the governmental fund financial statements, but is reported as an expense in the Statement of Activities.		(109,809)
Governmental funds report principal payment expenditures on bonds when paid, whereas these payments are eliminated in the Statement of Activities and recognized as a decrease in bonds payable in the Statement of Net Position.		720,000
Unpaid mature bonds principal are reported as expenditures in the governmental funds statements, but such expenditures are eliminated in the Statement of Activities.		4,565,000
Reduction on long-term debt as a result of debt forgiveness is not recognized on the fund financial statements but is recorded on the Statement of Activities.		140,000
The change in accrued interest between the current and prior year is recorded on the Statement of Activities but not on the fund financial statements.		<u>63,659</u>
Change in net position of governmental activities	\$	<u><u>860,252</u></u>

See accompanying notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**



**MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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

**Reporting Entity**

The *Meadow Pointe IV Community Development District*, (the "District") was established on September 4, 2002 by Pasco County Ordinance 02-21, pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes. The Act provides, among other things, the power to manage basic services for community development, the power to borrow money and issue bonds, and the power to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure. The District was established for the purpose of financing and managing the acquisition, construction, maintenance and operation of a portion of the infrastructure necessary for community development within the District.

The District is governed by the Board of Supervisors (the "Board"), which is composed of five members. The Supervisors are elected on an at large basis by qualified electors that reside within the District. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes. In prior fiscal years, the District landowners deeded most of their property to Maxcy Development Group Holdings - Meadow Pointe IV, Inc., a Special Purpose Entity ("SPE"). At the end of the current fiscal year, the SPE does not have any property.

The Board has final responsibility for:

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

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement 14, Statement 39, and Statement 61, an amendment of GASB Statement 14. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District Board of Supervisors is considered to be financially accountable, and other organizations (component units) 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. Management has determined that there are no entities considered to be component units of the District.

**Government-Wide and Fund Financial Statements**

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) grants, contributions and investment earnings that are restricted to meeting the operational or capital requirements of a particular function or segment and 3) operating-type special assessments that are

**MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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

**Government-Wide and Fund Financial Statements (Continued)**

treated as charges for services (including assessments for maintenance and debt service). Other items not included among program revenues are reported instead as *general revenues*.

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

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

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

Assessments, including debt service assessments and operation and maintenance assessments, are non-ad valorem assessments imposed on all lands located within the District and benefited by the District's activities. Operation and maintenance special assessments are levied by the District prior to the start of the fiscal year which begins October 1<sup>st</sup> and ends on September 30<sup>th</sup>. These assessments are imposed upon all benefited lands located in the District. Debt service special assessments are imposed upon certain lots and lands as described in each resolution imposing the special assessment for each series of bonds issued by the District. Certain debt service assessments are collected upon the closing of those lots subject to short term debt and are used to prepay a portion of the bonds outstanding.

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

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

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

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

**MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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

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

statements. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**Assets, Liabilities and Net Position or Equity**

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

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

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

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

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

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

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Recreational facilities	30
Furniture, fixtures and equipment	5
Recreational facilities	10

**MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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

**Assets Liabilities and Net Position or Equity (Continued):**

**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.

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

**Fund Balance Categories and Classification** - The District implemented GASB 54 in 2011, which established the following fund balance classifications: nonspendable, restricted, committed, assigned, and unassigned. The District's general spending prioritization policy is to consider restricted resources to have been used first, followed by assigned and unassigned amounts when expenditures have been incurred for which resources in more than one classification could be used.

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

**Spendable Fund Balance**

- **Restricted** - includes fund balance amounts that are constrained for specific purposes which are externally imposed by debt covenants or amounts constrained due to constitutional provisions or enabling legislation.
- **Committed** - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority, which is the Board of Supervisors.
- **Assigned** - includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The Board of Supervisors has authorized the District Manager to assign amounts for specific purposes.
- **Unassigned** - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

Net position in the government-wide statements are categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets 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.

**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.

**MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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

**A. Budgetary Information**

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

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

1. Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
2. A public hearing is conducted to obtain comments.
3. Prior to October 1, the budget is legally adopted by the District Board.
4. All budget changes must be approved by the District Board.
5. The budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America

**B. Deficit Fund Balance**

The debt service fund has a deficit fund balance of \$(5,814,081) at September 30, 2015.

**MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**Note 3 - 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**

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

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

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

**MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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

**Investments (Continued):**

Investments made by the District at September 30, 2015 are summarized below. In accordance with GASB 31, investments are reported at fair value.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity</u>
First American Treasury Obligation Fund Z	\$ 2,389,901	AAAm	43 days
US Bank Money Market Fund	70,266	AAA	NA
Bank of Tampa Money Market Fund	203,358	NA	NA
	<u>\$ 2,663,525</u>		

Credit Risk

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

Custodial Credit Risk:

In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be recovered. The District's investment policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2015, all of the District's bank deposits were in qualified public depositories.

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2015, none of the investments listed are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk:

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

Interest Rate Risk:

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

**MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**Note 4 – Prior Period Adjustment:**

During the current fiscal year, the District identified an error in non-current liabilities of the Governmental Activities. Debt forgiveness in the amount of \$560,000 in connection to the restructuring of the Series 2005 Bonds in fiscal year 2013 was not recognized in the financial statements of the Governmental Activities. As a result, beginning Net Position of Governmental Activities was restated as follows:

	Governmental Activities
Net Position, June 30, 2014, as previously stated	\$ 27,830,456
Adjustment to recognize debt forgiveness on Bonds restructuring	560,000
Net Position, July 1, 2015, as restated	\$ 28,390,456

**Note 5 - Interfund Transfers:**

In the current year, \$123 was transferred from capital projects funds to the debt service funds.

**Note 6 - Impact Fees Receivable:**

The District paid water/sewer impact fees, associated with certain lots, to Pasco County. As developers sell these lots, they will reimburse the District for these fees. In the current year \$105,720 was reimbursed to the District. As of September 30, 2015, there were no impact fees receivable outstanding.



**MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**Note 7 - Capital Assets:**

Capital asset activity for the year ended September 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated				
Infrastructure under construction	\$ 53,089,900	\$ -	\$ -	\$ 53,089,900
Capital assets, being depreciated				
Recreational Facilities	2,023,737	-	-	2,023,737
Furniture, Fixtures & Equipment	7,830	-	-	7,830
Total capital assets being depreciated	<u>2,031,567</u>	<u>-</u>	<u>-</u>	<u>2,031,567</u>
Less accumulated depreciation for:				
Recreational Facilities	(387,016)	(68,844)	-	(455,860)
Furniture, Fixtures & Equipment	(7,830)	-	-	(7,830)
Total accumulated depreciation	<u>(394,846)</u>	<u>(68,844)</u>	<u>-</u>	<u>(463,690)</u>
Total capital assets being depreciated, net	<u>1,636,721</u>	<u>(68,844)</u>	<u>-</u>	<u>1,567,877</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 54,726,621</u>	<u>\$ (68,844)</u>	<u>\$ -</u>	<u>\$ 54,657,777</u>

Major construction on the District has been suspended until a new developer takes over the project. Due to a future change in developer and possible changes to the project, there is no current estimate available of costs to complete District improvements.

Depreciation expense for 2015 was charged in the amount of \$68,844 to culture and recreation.

**MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**Note 8 - Long-Term Liabilities:**

**Bond Restructuring**

In the current year, the District issued the Series 2015 Bonds in the amount of \$2,360,000 in exchange for \$2,500,000 of the Series 2003 Bonds. This resulted in a gain of debt forgiveness of \$140,000 reflected on the Statement of Activities.

**Series 2003 Capital Improvement Revenue Bonds**

On May 28, 2003, the District issued \$11,775,000 of Capital Improvement Revenue Bonds, Series 2003. The Bonds consist of \$2,990,000 Series 2003A Bonds due on May 1, 2034 with a fixed interest rate of 6.3% and \$8,785,000 Series 2003B Bonds with a fixed interest rate of 5.125%. The 2003B Bonds were paid off in fiscal year 2008. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the property within the District. Interest is paid semiannually on each May 1 and November 1, commencing November 1, 2003. Principal on the 2003A Bonds is paid annually commencing May 1, 2005 through May 1, 2034.

The Series 2003A Bonds are subject to redemption at the option of the District, in whole or in part anytime on or after May 1, 2013 at a redemption price as set forth in the Bond Indenture. The Series 2003A Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Indenture.

In the current year, the District paid in full the Series 2003 Bonds as a result of the issuance of the Series 2015 Bonds in exchange for the Series 2003 Bonds. This resulted in a gain of debt forgiveness of \$140,000.

In the current year, interest paid was \$78,750.

**MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**Note 8 - Long-Term Liabilities (Continued):**

**Series 2004 Capital Improvement Revenue Bonds**

On September 9, 2004, the District issued \$6,005,000 of Capital Improvement Revenue Bonds, Series 2004 due on May 1, 2036 with a fixed interest rate of 6%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the property within the District. Interest is due semiannually on each May 1 and November 1, commencing November 1, 2004. Principal on the 2004 Bonds is due annually commencing May 1, 2007 through May 1, 2036.

The Series 2004 Bonds are subject to redemption at the option of the District, in whole or in part anytime on or after May 1, 2014 at a redemption price as set forth in the Bond Indenture. The Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Indenture.

The Series 2004 Bonds were in default due to nonpayment of debt service. In the current year, the District paid \$156,846 of matured interest payable. In a prior year, the Special Purpose Entity ("SPE") sold a portion of the property underlying these bonds. In connection with that sale, the District redeemed \$130,000 of these bonds and the remainder was restructured. Of the restructured Series 2004 Bonds, \$2,600,000 was exchanged for Series 2012 Convertible Capital Appreciation Bonds and \$3,120,000 remains outstanding. The Series 2012 Bonds accrete to a value of \$2,600,000 on May 1, 2014. They require less debt service payments in fiscal years 2012 through 2014 than the bonds they replace because the first payment is due November 1, 2014. The terms of the unexchanged Series 2004 Bonds remain unchanged except that principal is no longer due in annual installments, but rather in one lump sum payment at the end of the bond term on May 1, 2036.

As a result of the restructuring, the special assessment lien that secured the Series 2004 Bonds is extinguished. Unexchanged portions of these bonds are no longer secured by debt service special assessments; therefore the District can no longer collect special assessments to provide for payment of Series 2004 debt service. Holders of unexchanged Series 2004 Bonds only have the right to recover principal and interest from remaining purchase price proceeds on the underlying land, after those proceeds have first been applied to payment of principal and interest on the Series 2012 Bonds and SPE expenses. If the purchase price proceeds are insufficient, remaining principal and interest on the Series 2004 Bonds will be forgiven.

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirements as defined in the Indenture. The District is not in compliance with this requirement at September 30, 2015.

**MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**Note 8 - Long-Term Liabilities (Continued):**

**Series 2004 Capital Improvement Revenue Bonds (Continued):**

Total principal and interest remaining on the Series 2004 Revenue Bonds at September 30, 2015 is \$7,144,800. Additionally, \$74,286 of interest is past due and recorded as matured interest payable. Interest of \$187,200 was accrued in the current year but was not paid. No principal was due in the current year and no special assessment revenue was pledged. The District continues to record expense for scheduled debt service payments, which is comprised of interest only.

**Series 2005 Capital Improvement Revenue Bonds**

On December 12, 2005, the District issued \$7,455,000 of Capital Improvement Revenue Bonds, Series 2005 due on May 1, 2015 with a fixed interest rate of 5.25%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the property within the District. Interest is paid semiannually on each May 1 and November 1, commencing May 1, 2006. Principal on the 2005 Bonds is due in one lump sum payment on May 1, 2015.

The Series 2005 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 maturity in the manner determined by the Bond Indenture.

The Series 2005 Bonds were in default due to nonpayment of debt service. In the current year, the District paid \$90,488 of matured interest payable. In a prior year, the Special Purpose Entity ("SPE") sold a portion of the property underlying these bonds. In connection with that sale, the District redeemed \$10,000 of these bonds and the remainder was restructured. Of the restructured Series 2005 Bonds, \$5,085,000 was exchanged for Series 2012 Bonds and \$1,800,000 remains outstanding. This resulted in a gain of debt forgiveness of \$560,000 reflected on the Statement of Activities in the current year as a prior period adjustment. The Series 2012 Bonds are comprised of Convertible Capital Appreciation Bonds which accrete to a value of \$1,890,000 on May 1, 2014 and \$3,195,000 of Current Interest Capital Improvement Revenue Bonds. The Series 2012 Convertible Capital Appreciation Bonds require less debt service payments in fiscal years 2012 through 2014 than the bonds they replace because the first payment is due November 1, 2014. The terms of the Series 2012 Capital Improvement Revenue Bonds remain the same as the 2005 Bonds they replaced. The terms of the unexchanged Series 2005 Bonds remain unchanged.

As a result of the restructuring, the special assessment lien that secured the Series 2005 Bonds is extinguished. Unexchanged portions of these bonds are no longer secured by debt service special assessments; therefore the District can no longer collect special assessments to provide for payment of Series 2005 debt service. Holders of unexchanged Series 2005 Bonds only have the right to recover principal and interest from remaining purchase price proceeds on the underlying land, after those proceeds have first been applied to payment of principal and interest on the Series 2012 Bonds and SPE expenses. If the purchase price proceeds are insufficient, remaining principal and interest on the Series 2005 Bonds will be forgiven.

**MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**Note 8 - Long-Term Liabilities (Continued):**

**Series 2005 Capital Improvement Revenue Bonds (Continued)**

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirements as defined in the Indenture. The District is not in compliance with this requirement at September 30, 2015.

Total principal and interest remaining on the Series 2005 Revenue Bonds at September 30, 2015 is \$1,847,250. Additionally, \$1,056,004 of interest is past due and recorded as matured interest payable. Interest of \$123,900 was due in the current year but was not paid. Principal in the amount of \$1,800,000 was due in the current year and was not paid. The District continues to record expense for scheduled debt service payments, which is comprised of principal and interest.

**Series 2007 Capital Improvement Revenue Bonds**

On August 17, 2007, the District issued \$12,220,000 of Capital Improvement Revenue Bonds, Series 2007 consisting of \$6,390,000 Series 2007A Bonds due on May 1, 2038 with a fixed interest rate of 6.25% and \$5,830,000 Series 2007B Bonds due on November 1, 2014 with a fixed interest rate of 6.15%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the property within the District. Interest is paid semiannually on each May 1 and November 1, commencing November 1, 2007. Principal on the 2007A Bonds is paid annually commencing May 1, 2009 through May 1, 2038. Principal on the 2007B Bonds is due in one lump sum payment on November 1, 2014.

The Series 2007A Bonds are subject to redemption at the option of the District, in whole or in part anytime on or after May 1, 2017 at a redemption price as set forth in the Bond Indenture. The Series 2007B Bonds are not subject to redemption at the option of the District prior to maturity.

The Series 2007A and 2007B Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Indenture.

The Series 2007 Bonds were in default due to nonpayment of debt service. In the current year, the District paid \$290,065 of matured interest payable. In a prior year, the Special Purpose Entity ("SPE") sold a portion of the property underlying these bonds. In connection with that sale, the District redeemed \$500,000 of the Series 2007A Bonds and \$460,000 of the Series 2007B Bonds and the remainder was restructured. Of the restructured Series 2007 Bonds, \$2,810,000 of the Series 2007A and \$2,605,000 of the Series 2007B Bonds were exchanged for Series 2012 Convertible Capital Appreciation Bonds. The unexchanged Series 2007A Bonds of \$3,005,000 and Series 2007B Bonds of \$2,765,000 remain outstanding. The Series 2012 Bonds accrete to a value of \$5,415,000 on May 1, 2014. They require less debt service payments in fiscal years 2012 through 2014 than the bonds they replace because the first payment is due November 1, 2014. The terms of the unexchanged Series 2007 Bonds remain unchanged except that principal is no longer due in annual installments on the Series 2007A Bonds, but rather in one lump sum payment at the end of the bond term on November 1, 2039.

**MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**Note 8 - Long-Term Liabilities (Continued):**

**Series 2007 Capital Improvement Revenue Bonds (Continued):**

As a result of the restructuring, the special assessment lien that secured the Series 2007 Bonds is extinguished. Unexchanged portions of these bonds are no longer secured by debt service special assessments; therefore the District can no longer collect special assessments to provide for payment of Series 2007 debt service. Holders of unexchanged Series 2007 Bonds only have the right to recover principal and interest from remaining purchase price proceeds on the underlying land, after those proceeds have first been applied to payment of principal and interest on the Series 2012 Bonds and SPE expenses. If the purchase price proceeds are insufficient, remaining principal and interest on the Series 2007 Bonds will be forgiven.

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirements as defined in the Indenture. The District is not in compliance with this requirement at September 30, 2015.

Total principal and interest remaining on the Series 2007 Revenue Bonds at September 30, 2015 is \$10,268,606. Additionally, \$1,513,445 of interest is past due and recorded as matured interest payable. Interest of \$357,860 was due in the current year but was not paid. Principal in the amount of \$2,765,000 was due in the current year and was not paid. The District continues to record expense for scheduled debt service payments, which is comprised of principal and interest.

**Series 2012 Capital Improvement Revenue Refunding Bonds**

In June 2012, the District issued Series 2012 Bonds comprised of: Series 2012A-1 Bonds of \$1,621,630 due on May 1, 2036 with a fixed interest rate of 6%; Series 2012A-2 Bonds of \$3,077,116 due on May 1, 2038 with a fixed interest rate of 6.25%; Series 2012B-1 Bonds of \$4,075,280 due on May 1, 2020 with a fixed interest rate of 6.81% and Series 2012B-2 Bonds of \$3,195,000 due on May 1, 2015 with a fixed interest rate of 5.25%. These bonds were issued in exchange for portions of the Series 2004, Series 2005 and Series 2007 Bonds.

The Series 2012A-1, 2012A-2 and 2012B-1 Bonds are Convertible Capital Appreciation Bonds. Interest accretes and is added to the bond value from the issuance date until the conversion date of May 1, 2014. After that date, the bonds convert to Current Interest Bonds and interest payments are due semiannually on each May 1 and November 1, commencing November 1, 2014. Annual principal payments begin May 1, 2015 on the Series 2012A-1 and 2012A-2 Bonds. Principal on the 2012B-1 Bonds is due in one lump sum payment on May 1, 2020.

The Series 2012B-2 Bonds are Current Interest Bonds. Interest is paid semiannually on each May 1 and November 1, commencing November 1, 2012. Principal on the 2012B-2 Bonds is due in one lump sum payment on May 1, 2015.

The Series 2012A-1 and 2012A-2 Bonds are subject to redemption at the option of the District, in whole or in part anytime on or after May 1, 2022 at a redemption price as set forth in the Bond Indenture. The Series 2012B-1 and 2012B-2 Bonds are not subject to redemption at the option of the District prior to maturity.

The Series 2012 Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Indenture.

**MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**Note 8 - Long-Term Liabilities (Continued):**

**Series 2012 Capital Improvement Revenue Refunding Bonds (Continued):**

The Bond Indenture has certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agreed to collect special assessments in annual installments adequate to provide payment of debt service. Payment of principal and interest on the 2012 Bonds is secured by a pledge of and a first lien upon the pledged special assessment revenue. Collection of assessments on the Convertible Capital Appreciation Bonds commences with the initial debt service payment on November 1, 2014.

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirements as defined in the Indenture. Except for the Series 2012B-2 Bonds the District is in compliance with this requirement at September 30, 2015.

Total principal and interest remaining on the Series 2012 Bonds at September 30, 2015 is \$15,657,203. Additionally, \$137,604 of interest is past due and recorded as matured interest payable. Interest of \$77,176 on the Series 2012B-2 Bonds was due in the current year but was not paid. Principal in the amount of \$720,000 was paid during the current year.

**Series 2014 Capital Improvement Revenue Refunding Bonds**

In June 2014, the District issued Series 2014 Bonds comprised of: Series 2014A Bonds of \$908,074 due on May 1, 2035 with a fixed interest rate of 7.25%; Series 2014B Bonds of \$810,931 due on May 1, 2022 with a fixed interest rate of 7.25%. These bonds were issued in exchange for \$1,719,005 of the Series 2012B-2, Bonds.

The Series 2014 Bonds are Convertible Capital Appreciation Bonds. Interest accretes and is added to the bond value from the issuance date until the conversion date of November 1, 2016. After that date, the bonds convert to Current Interest Bonds and interest payments are due semiannually on each May 1 and November 1, commencing May 1, 2017. Annual principal payments begin May 1, 2017 on the Series 2014A Bonds. Principal on the 2014B Bonds is due in one lump sum payment on May 1, 2022.

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirements as defined in the Indenture. The District is in compliance with this requirement at September 30, 2015.

Total principal and interest remaining on the Series 2014 Revenue Bonds at September 30, 2015 is \$3,114,056. No principal and interest was due in the current year.

**Series 2015 Capital Improvement Revenue Refunding Bonds**

In April 2015, the District issued \$2,360,000 of Capital Improvement Revenue Refunding Bonds, Series 2015 due on May 1, 2034 with a variable interest rate of 2.00% to 4.20%. These bonds were issued in exchange for \$2,500,000 of the Series 2003 Bonds. This resulted in a gain of debt forgiveness of \$140,000 reflected on the Statement of Activities.

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirements as defined in the Indenture. The District is in compliance with this requirement at September 30, 2015.

Total principal and interest remaining on the Series 2015 Revenue Bonds at September 30, 2015 is \$3,366,923. No principal and interest was due in the current year.

**MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**Note 8 - Long-Term Liabilities (Continued):**

Bonds payable activity for the year ended September 30, 2015 was as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Bonds Payable:					
Series 2003	\$ 2,500,000	\$ -	\$ (2,500,000)	\$ -	\$ -
Series 2004	3,120,000	-	-	3,120,000	-
Series 2005	1,800,000	-	(1,800,000)	-	-
Series 2007	5,770,000	-	(2,765,000)	3,005,000	-
Series 2012	10,690,000	-	(720,000)	9,970,000	1,585,000
Series 2014	1,719,005	109,809	-	1,828,814	-
Series 2015	-	2,360,000	-	2,360,000	95,000
	<u>\$ 25,599,005</u>	<u>\$ 2,469,809</u>	<u>\$ (7,785,000)</u>	<u>\$ 20,283,814</u>	<u>\$ 1,680,000</u>

At September 30, 2015, the scheduled debt service requirements on the bonds payable were as follows, excluding amounts owed for interest that are shown as currently due in matured interest payable:

<b>Year Ending September 30,</b>	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2016	\$ 1,680,000	\$ 1,173,571
2017	240,342	1,067,275
2018	250,342	1,129,581
2019	255,342	1,117,719
2020	3,599,565	1,105,444
2021 - 2025	2,455,124	3,958,554
2026 - 2030	2,107,640	3,321,085
2031 - 2035	2,660,460	2,632,455
2036 - 2040	7,035,000	1,044,342
	<u>\$ 20,283,814</u>	<u>\$ 16,550,026</u>



**MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**Note 9 - Special Purpose Entity:**

In 2011, the Trustee, on behalf of the bondholders, created a Special Purpose Entity ("SPE"), Maxcy Development Group Holdings - Meadow Pointe IV, Inc., to own, manage and dispose of land taken in lieu of foreclosure from three significant landowners of the District. The District, Trustee and the SPE entered into a tri-party agreement whereby the SPE agreed to pay current operating and maintenance assessments of the District. The SPE does not pay debt service assessments because the Trustee has directed the District to temporarily defer collection of the debt service assessments.

In the current year, the SPE paid \$611,297 to the District to fund the Debt Service Fund.. The SPE is funded through the District trust accounts at the discretion of the trustee. In the current year, the Trustee did not provide any funding to the SPE through the District trust accounts. If funds are no longer available in the Trust Estate to fund the SPE and another funding source has not been secured, the SPE may convey its property to the District, the Trustee or another SPE.

In fiscal year 2011-2012, the SPE sold a portion of the land to a developer. The District used proceeds from the sale to redeem \$1,100,000 of the Series 2004, Series 2005 and Series 2007 Bonds outstanding. Additionally, the District used proceeds of \$1,041,039 to fund the Series 2012 Debt Service Reserve Accounts and bond issuance costs. In fiscal year 2013-2014, the SPE sold the remaining land to a developer. As lots are sold, funds are remitted to the trustee to pay down the unexchanged bonds.

**Note 10 - Risk Management:**

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

**Note 11 - Subsequent Events:**

**Debt Service Payments**

The District was unable to make the November 1, 2015 interest payments on the Series 2004, Series 2005, Series 2007 and Series 2012B-2 Bonds.

**MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT  
BUDGET TO ACTUAL COMPARISON STATEMENT – GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 31, 2015**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		<b>Positive (Negative)</b>
<b>Revenues</b>				
Assessments	\$ 687,017	\$ 687,017	\$ 690,471	\$ 3,454
Interest and other revenues	-	-	2,333	2,333
Total revenues	<u>687,017</u>	<u>687,017</u>	<u>692,804</u>	<u>5,787</u>
<b>Expenditures</b>				
General government	141,905	141,905	149,460	(7,555)
Physical environment	360,911	360,911	319,820	41,091
Culture and recreation	170,421	170,421	134,330	36,091
Roads and streets	13,780	13,780	6,893	6,887
Total expenditures	<u>687,017</u>	<u>687,017</u>	<u>610,503</u>	<u>76,515</u>
Excess (deficiency) of revenues over expenditures	-	-	82,301	82,301
Net change in fund balances	-	-	82,301	82,301
Fund balance, beginning of year	-	-	240,891	240,891
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 323,192</u>	<u>\$ 323,192</u>



**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  
Meadow Pointe IV Community Development District  
Pasco County, Florida

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the *Meadow Pointe IV Community Development District* (the "District") as of and for the year ended September 30, 2015, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 4, 2016, which includes an explanatory paragraph regarding the adverse opinion for the omission of the discrete component unit and an emphasis of matter paragraph. 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

District management is responsible for establishing and maintaining effective 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 opinion 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified.

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. We consider the deficiency described in Appendix B to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed certain instances of noncompliance. See Appendix C of the accompanying report to management dated March 4, 2016.

We noted certain other matters that we reported to management of the District, in a separate letter dated March 4, 2016. The District's response to our findings identified in our audit is included in this report. We did not audit the District's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

A rectangular box containing a handwritten signature in black ink that reads "Barzana & Associates PA".

**Barzana & Associates, P.A.**

Tampa, Florida  
March 4, 2016



## MANAGEMENT LETTER

Board of Supervisors  
Meadow Pointe IV Community Development District  
Pasco County, Florida

### Report on the Financial Statements

We have audited the financial statements of the *Meadow Pointe IV Community Development District* (the "District") as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated March 4, 2016.

### 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

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 4, 2016, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The status of management's response to recommendations included in the preceding annual financial report is outlined in Appendix A to this report.

### Official Title and Legal Authority

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information has been disclosed in the notes to the financial statements.

### Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not Meadow Pointe IV Community Development District has met one or more of the conditions described in Section 218.503 (1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Meadow Pointe IV Community Development District met one of the conditions described in Section 218.503(1), Florida Statutes, as a result of deteriorating financial conditions, as defined in Rule 10.554(1)(f), Rules of the Auditor General. This condition is described in Appendix D.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Meadow Pointe IV Community Development District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. Deteriorating financial conditions were noted as indicated above under Section 10.554(1)(i)5.a.

### **Annual Financial Report**

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the Meadow Pointe IV Community Development District for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

### **Special District Component Units**

Section 10.554(1)(i)5.d, Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with the audit, we determined that all special district component units did not provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes. See condition described in Appendix B.

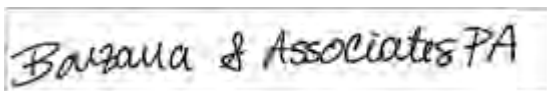
### **Other Matters**

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

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

### **Purpose of this Letter**

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



**Barzana & Associates, P.A.**

Tampa, Florida  
March 4, 2016



## INDEPENDENT ACCOUNTANTS' REPORT

Board of Supervisors  
Meadow Pointe IV Community Development District  
Pasco County, Florida

We have examined the Meadow Pointe IV Community Development District's compliance with the requirements of Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2015. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September, 30, 2015.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

*Barzana & Associates PA*

**Barzana & Associates, P.A.**

Tampa, Florida  
March 4, 2016

**MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT  
APPENDIX A – PRIOR YEAR RECOMMENDATIONS  
YEAR ENDED SEPTEMBER 30, 2015**

<b>Tabulation of Uncorrected Audit Findings</b>		
<b>Current Year Finding #</b>	<b>2013-2014 FY Finding #</b>	<b>2012-2013 FY Finding #</b>
15-01	14-01	13-01
15-02	14-02	13-02
15-03	14-03	13-03



**MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT  
APPENDIX B – MATERIAL WEAKNESS  
YEAR ENDED SEPTEMBER 30, 2015**

**15-03 - Failure to Include Component Unit Financial Statements in the Financial Report**

Criteria

Generally accepted accounting principles require that the District include the financial statements of the Special Purpose Entity in their audited financial report as a discretely-presented component unit.

Condition

The SPE is not included as a component unit in the District's financial report.

Cause

Due to the lack of control by the District and that the SPE's primary beneficiary is the Bondholders; the District's position is that the SPE is not a component unit of the District.

Effect

Barzana & Associates, P.A. could not audit these records nor include them as a discretely-presented component unit in the District's government-wide financial statements.

Recommendation

We recommend the District include the SPE as a discretely-presented component unit of the District's government-wide financial statements.

**MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT  
APPENDIX C – COMPLIANCE VIOLATIONS OF LAWS, REGULATIONS  
AND CONTRACTUAL PROVISIONS  
YEAR ENDED SEPTEMBER 30, 2015**

**15-01 - Failure to Make Bond Debt Service Payments When Due**

Criteria

The Special Assessment Revenue Bonds Series 2004, Series 2005 Series 2007 and Series 2012B-2 require semiannual interest payments.

Condition

In the current year, interest was not paid on the Series 2004, Series 2005, Series 2007, and Series 2012B-2 Bonds. In the prior years, interest was not paid on the Series 2004, Series 2005, Series 2007, Series 2012B-1 and Series 2012B-2 Bonds.

Cause

In prior years, debt service assessments were not being paid to the District due to landowner bankruptcies. Due to the bond restructures in the prior year, the special assessment liens on the unexchanged bonds have been extinguished.

Effect

At September 30, 2015, the District was not in compliance with the requirements of the Bond Indenture and has met a financial emergency condition as described in Florida Statute Section 218.503(1).

Recommendation

We recommend the District utilize all legal remedies available to collect delinquent assessments to bring debt service payments current.

**15-02 - Failure to Meet Debt Service Reserve Requirements**

Criteria

The Trust Indentures require the District to keep minimum amounts in the Debt Service Reserve Accounts.

Condition

At September 30, 2015, the Series 2004, Series 2005, and Series 2007 Debt Service Reserve Accounts were deficient.

Cause

In prior years, Debt Service Reserves were used to pay debt service on the Bonds due to landowner bankruptcies.

Effect

The District is not in compliance with the Trust Indentures.

Recommendation

We recommend the District utilize all legal remedies available to collect delinquent assessments to replenish the Debt Service Reserve Accounts.

**MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT  
APPENDIX D – FINANCIAL EMERGENCY CONDITION  
YEAR ENDED SEPTEMBER 30, 2015**

**15-01 - Failure to Make Bond Debt Service Payments When Due**

In the current year and prior years interest was not paid on the Series 2004, Series 2005, Series 2007, and Series 2012B-2 Bonds as a result of lack of funds; therefore the District meets Section 218.503(1)(a) as a financial emergency condition.

# MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT

DISTRICT OFFICE · 5844 OLD PASCO ROAD · SUITE 100 · WESLEY CHAPEL, FLORIDA 33544

March 4, 2016

## **Response to the Management Letter for the fiscal year ended September 30, 2015**

### **Management Letter finding 15-01:**

*The auditor noted that the District did not make the required debt service interest and principal payments on the Series 2004, 2005, 2007 2012B-1 and 2012B-2 bonds.*

### **District response to the finding:**

*In a prior year, the Trustee, on behalf of the bondholders, created a Special Purpose Entity ("SPE") to own, manage and dispose of the land taken in lieu of foreclosure from three significant landowners of the District. The District, Trustee, and the SPE entered into a tri-party agreement whereby the SPE assumed responsibility for the prior year debt service assessments owed to the District related to the land owned by the SPE. In a prior year the bonds were restructured and portions of the Series 2004, 2005 and 2007 bonds were exchanged for Series 2012A-1 and A-2 bonds, the unexchanged portions are still outstanding. As part of the restructure the debt assessment lien has been transferred from the Series 2004, 2005 and 2007 bonds to the Series 2012 bonds. As a result of the restructure, there are no special assessments securing the Series 2004, 2005 and 2007 bonds. During the prior year a portion of the 2012B-2 Bonds were exchanged for Series 2014A Bonds. Due to the lack of special assessment revenue to pay the unexchanged portion of the bonds no principal or interest payment can be made. During the prior year the SPE sold the remaining land to a developer. As the developer sells lots, funds are remitted to the trustee to pay principal and interest on the unexchanged bonds.*

### **Management Letter finding 15-02:**

*The auditor noted that the District's Series 2004, 2005 and 2007 Debt Service Reserve Accounts were deficient at September 30, 2015, as a result of funds from the Reserve Accounts being used to make debt service payments.*

### **District response to the finding:**

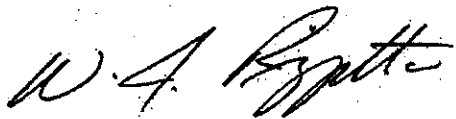
*The Trustee, on behalf of the bondholders, created a Special Purpose Entity ("SPE") to own, manage and dispose of the land taken in lieu of foreclosure from three significant landowners of the District. The District, Trustee, and the SPE entered into a tri-party agreement whereby the SPE assumed responsibility for the prior year debt service assessments owed to the District related to the land owned by the SPE. As noted above, portions of the Series 2004, 2005 and 2007 bonds were exchanged for Series 2012 bonds. As part of this exchange, any remaining funds in the Series 2004, 2005 and 2007 bond trust funds were transferred to the trust funds relating to the Series 2012 bond trust funds. At this time there is no plan to replenish the reserves for the unexchanged portions of the Series 2004, 2005 and 2007 bonds.*

**Management Letter finding 15-03:**

*The auditor noted that the SPE was not included as a component unit of the District.*

**District response to the finding:**

*Management does not agree that the Special Purpose Entity should be included as a discretely-presented component unit on the government-wide financial statements. In summary, management feels that it would be misleading to the users of the financial statements to include the SPE as a component unit for the following reasons. The District has no ownership and/or control over the SPE and in no way can it impose its will on the SPE. In addition, the District will not benefit from the activities of the SPE. When the land held by the SPE is sold, the proceeds will be paid to the Bondholders to satisfy the Bond debt. The District will not be responsible for any deficiency between the net proceeds of the sale and the associated Bond debt.*



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William J. Rizzetta

Treasurer

Meadow Pointe IV Community Development District