

**MEADOW POINTE IV
COMMUNITY DEVELOPMENT DISTRICT**

FINANCIAL REPORT

Year Ended September 30, 2012

MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

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* (the "District"), as of and for the year ended September 30, 2012, 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 an opinion 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 opinion.

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 assets, revenues and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the omission of the discrete component unit, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and changes in financial position of the governmental activities of the District.

In addition, in our opinion the financial statements referred to above present fairly, in all material respects, the financial position of each major fund of the *Meadow Pointe IV Community Development District*, as of September 30, 2012, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

MCDIRMIT DAVIS & COMPANY, LLC
605 E. ROBINSON STREET, SUITE 635 • ORLANDO, FLORIDA 32801
TELEPHONE 407-843-5406 • FAX 407-649-9339 • EMAIL: INFO@MCDIRMITDAVIS.COM

The District has been unable to make its debt service payments on the Series 2004, Series 2005 and Series 2007 Bonds because three significant landowners did not pay their debt service assessments. In the prior year, 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. If funds are no longer available in the Trust Estate and another funding source has not been secured, the SPE may convey its property to the District, the Trustee or another SPE. In the current year, the SPE sold a portion of the property to a developer. In connection with that sale, the Series 2004, Series 2005 and Series 2007 Bonds were restructured and Series 2012 Bonds were issued.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 4, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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 starting on page 3, be presented to supplement the 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.

McDiernit Davis & Company, LLC

February 4, 2013

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, 2012. 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, 2012 by \$28,948,707, an increase in net assets of \$3,717,856 in comparison with the prior year.
- At September 30, 2012, the District's governmental funds reported a total deficit fund balance of \$(141,819), a decrease in the deficit of \$1,610,525 in comparison with the prior year.
- In the current year, the Series 2004, Series 2005 and Series 2007 Bonds were restructured and Series 2012 Bonds were issued, as described in Note 8.

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 assets presents information on all of 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 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 Assets - The District's net assets were \$28,948,707 at September 30, 2012. The analysis that follows focuses on the net assets 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 Assets

	September 30, 2012	September 30, 2011
Assets, excluding capital assets	\$ 2,549,697	\$ 2,321,034
Capital assets net of depreciation	<u>54,864,708</u>	<u>54,836,675</u>
Total assets	<u>57,414,405</u>	<u>57,157,709</u>
Liabilities, excluding long-term liabilities	2,631,672	4,231,858
Long-term liabilities	<u>25,834,026</u>	<u>27,695,000</u>
Total liabilities	<u>28,465,698</u>	<u>31,926,858</u>
Net assets:		
Invested in capital assets, net of related debt	33,191,138	31,010,071
Restricted for capital projects	706,549	1,076,741
Unrestricted	<u>(4,948,980)</u>	<u>(6,855,961)</u>
Total net assets	<u>\$ 28,948,707</u>	<u>\$ 25,230,851</u>

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

Changes in Net Assets
Year ended September 30,

	2012	2011
Revenues:		
Program revenues	\$ 1,801,362	\$ 3,978,891
General revenues	<u>4,079</u>	<u>20,891</u>
Total revenues	<u>1,805,441</u>	<u>3,999,782</u>
Expenses:		
General government	593,780	1,424,227
Physical environment	242,083	219,782
Culture and recreation	198,931	203,415
Roads and streets	5,677	6,880
Interest on long-term debt	<u>741,973</u>	<u>1,666,299</u>
Total expenses	<u>1,782,444</u>	<u>3,520,603</u>
Special Items:		
Gain on debt restructuring	3,607,221	-
Gain on debt forgiveness	87,638	-
Bad debt expense	-	<u>(2,977,822)</u>
Total special items	<u>3,694,859</u>	<u>(2,977,822)</u>
Change in net assets	3,717,856	(2,498,643)
Net assets - beginning	<u>25,230,851</u>	<u>27,729,494</u>
Net assets - ending	<u>\$ 28,948,707</u>	<u>\$ 25,230,851</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-Wide Financial Analysis (Continued):

In the current year, the Series 2004, Series 2005 and Series 2007 Bonds were restructured resulting in a gain on debt restructuring of \$3,607,221 and a reduction to interest expense from the prior year. Program revenues decreased because the State Road 56 Project, which the County and Developer contributions were funding, neared completion. General government expenses decreased because Special Purpose Entity costs were lower in the current year, than the prior year.

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, 2012, the District's governmental funds reported a combined ending fund deficit of \$(141,819). Of this total, \$706,549 is restricted, \$6,378 is nonspendable and the remainder is a negative unassigned fund balance of \$(854,746).

The fund balance of the District's general fund decreased by \$76,063 from the prior year because expenditures exceeded revenues, and \$41,621 was transferred to the debt service fund.

The debt service fund balance increased by \$2,056,780 from the prior year primarily because of the reversal of matured bonds and interest payable of \$2,088,372, resulting from the debt restructuring.

The capital projects fund balance decreased by \$370,192, primarily due to the payment of Special Purpose Entity costs of \$350,000.

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, 2012 general fund budget. The legal level of budgetary control is at the fund level.

Capital Asset and Debt Administration

Capital Assets - At September 30, 2012, the District had \$54,864,708 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, 2012, the District had \$25,834,026 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.

FINANCIAL STATEMENTS

MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT

STATEMENT OF NET ASSETS

September 30, 2012

	Governmental Activities
Assets:	
Cash	\$ 15,095
Investments	4,673
Impact fees receivable	73,065
Prepaid costs	2,478
Deposits	3,900
Bond issuance costs	584,791
Restricted assets:	
Temporarily restricted investments	1,865,695
Capital assets not being depreciated	53,089,900
Capital assets being depreciated, net	1,774,808
Total assets	<u>57,414,405</u>
Liabilities:	
Accounts payable and accrued expenses	26,827
Accrued interest payable	598,012
Matured interest payable	2,006,833
Noncurrent liabilities:	
Due within one year	55,000
Due in more than one year	25,779,026
Total liabilities	<u>28,465,698</u>
Net Assets:	
Invested in capital assets, net of related debt	33,191,138
Restricted for capital projects	706,549
Unrestricted	(4,948,980)
Total net assets	<u><u>\$ 28,948,707</u></u>

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

MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT

STATEMENT OF ACTIVITIES

Year Ended September 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Governmental activities:					
General government	\$ 593,780	\$ 285,637	\$ -	\$ -	\$ (308,143)
Physical environment	242,083	116,454	-	37,395	(88,234)
Culture and recreation	198,931	95,695	-	-	(103,236)
Roads and streets	5,677	2,731	-	-	(2,946)
Interest on long-term debt	741,973	1,263,388	23	39	521,477
Total governmental activities	<u>\$ 1,782,444</u>	<u>\$ 1,763,905</u>	<u>\$ 23</u>	<u>\$ 37,434</u>	<u>18,918</u>
General revenues:					
Investment and miscellaneous income					<u>4,079</u>
Special items:					
Gain on debt restructuring					3,607,221
Gain on debt forgiveness					<u>87,638</u>
Total special items					<u>3,694,859</u>
Change in net assets					3,717,856
Net assets - beginning					<u>25,230,851</u>
Net assets - ending					<u>\$ 28,948,707</u>

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

MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2012

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Assets:				
Cash	\$ 15,095	\$ -	\$ -	\$ 15,095
Investments	4,673	1,156,130	709,565	1,870,368
Prepaid costs	2,478	-	-	2,478
Deposits	3,900	-	-	3,900
Total assets	<u>\$ 26,146</u>	<u>\$ 1,156,130</u>	<u>\$ 709,565</u>	<u>\$ 1,891,841</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued expenses	\$ 23,811	\$ -	\$ 3,016	\$ 26,827
Matured interest payable	-	2,006,833	-	2,006,833
Total liabilities	<u>23,811</u>	<u>2,006,833</u>	<u>3,016</u>	<u>2,033,660</u>
Fund balances:				
Nonspendable	6,378	-	-	6,378
Restricted for capital projects	-	-	706,549	706,549
Unassigned	<u>(4,043)</u>	<u>(850,703)</u>	<u>-</u>	<u>(854,746)</u>
Total fund balances	<u>2,335</u>	<u>(850,703)</u>	<u>706,549</u>	<u>(141,819)</u>
Total liabilities and fund balances	<u>\$ 26,146</u>	<u>\$ 1,156,130</u>	<u>\$ 709,565</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 54,864,708

Other long-term assets are not available to pay current obligations and, therefore, are not reported in the funds.

Bond issuance costs	584,791	
Impact fees receivable	<u>73,065</u>	657,856

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Accrued interest payable	(598,012)	
Bonds payable	<u>(25,834,026)</u>	<u>(26,432,038)</u>

Net assets of governmental activities (page 7) \$ 28,948,707

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

MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

Year Ended September 30, 2012

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues:				
Special purpose entity contributions	\$ 197,369	\$ 1,041,039	\$ -	\$ 1,238,408
Special assessments	303,148	222,349	-	525,497
Developer contributions	-	-	37,395	37,395
Impact fees	-	-	30,037	30,037
Investment and miscellaneous income	4,079	23	39	4,141
Total revenues	<u>504,596</u>	<u>1,263,411</u>	<u>67,471</u>	<u>1,835,478</u>
Expenditures:				
Current:				
General government	140,931	59,138	361,046	561,115
Physical environment	240,517	-	-	240,517
Culture and recreation	131,127	-	-	131,127
Roads and streets	5,677	-	-	5,677
Debt Service:				
Interest	-	837,486	-	837,486
Principal	-	65,000	-	65,000
Bond issuance costs	-	375,000	-	375,000
Capital outlay	20,786	-	76,617	97,403
Total expenditures	<u>539,038</u>	<u>1,336,624</u>	<u>437,663</u>	<u>2,313,325</u>
Excess (Deficit) of Revenues Over Expenditures	(34,442)	(73,213)	(370,192)	(477,847)
Other Financing Sources (Uses) :				
Reversal of accrued debt service obligation due to bond restructure	-	2,088,372	-	2,088,372
Transfers in	-	41,621	-	41,621
Transfers out	(41,621)	-	-	(41,621)
Total other financing sources (uses)	<u>(41,621)</u>	<u>2,129,993</u>	<u>-</u>	<u>2,088,372</u>
Net change in fund balances	(76,063)	2,056,780	(370,192)	1,610,525
Fund Balances - Beginning of Year	<u>78,398</u>	<u>(2,907,483)</u>	<u>1,076,741</u>	<u>(1,752,344)</u>
Fund Balances - End of Year	<u>\$ 2,335</u>	<u>\$ (850,703)</u>	<u>\$ 706,549</u>	<u>\$ (141,819)</u>

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

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**

Year Ended September 30, 2012

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

Net change in fund balances - total governmental funds (page 10) \$ 1,610,525

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources; however, in the statement of net assets the cost of those assets is recorded as capital assets.

Capital outlay	97,403	
Depreciation expense	(69,370)	28,033

Reductions of long-term liabilities are reported as expenditures in governmental funds, while reductions reduce long-term liabilities in the statement of net assets.

Repayment of bonds payable	65,000	
Reduction in developer notes payable	87,638	
Reduction of nonmatured bonds payable	1,795,974	1,948,612

Revenue reported in the funds must be eliminated from the statement of activities since this revenue was recognized in the prior year. (30,037)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest	95,513	
Amortization of bond issuance costs	(32,665)	
Write off of bond issuance costs	(277,125)	
Capitalization of bond issuance costs	375,000	160,723

Change in net assets of governmental activities (page 8) \$ 3,717,856

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

MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT

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

Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Special assessments	\$ 553,537	\$ 553,537	\$ 303,148	\$ (250,389)
Special purpose entity contributions	-	-	197,369	197,369
Investment and miscellaneous income	-	-	4,079	4,079
Total revenues	<u>553,537</u>	<u>553,537</u>	<u>504,596</u>	<u>(48,941)</u>
Expenditures:				
Current:				
General government	157,323	157,323	140,931	16,392
Physical environment	260,817	260,817	240,517	20,300
Culture and recreation	127,120	127,120	131,127	(4,007)
Roads and streets	8,277	8,277	5,677	2,600
Capital outlay	-	-	20,786	(20,786)
Total expenditures	<u>553,537</u>	<u>553,537</u>	<u>539,038</u>	<u>14,499</u>
Excess (deficit) of revenues over expenditures	-	-	(34,442)	(34,442)
Other Financing Sources (Uses):				
Transfers out	-	-	(41,621)	(41,621)
Net change in fund balance	-	-	(76,063)	(76,063)
Fund balance - beginning	<u>78,398</u>	<u>78,398</u>	<u>78,398</u>	<u>-</u>
Fund balance - ending	<u>\$ 78,398</u>	<u>\$ 78,398</u>	<u>\$ 2,335</u>	<u>\$ (76,063)</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2012

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 the owners of the property within the District. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes. In the prior year, the District landowners deeded most of their property to Maxcy Development Group Holdings - Meadow Pointe IV, Inc., a Special Purpose Entity ("SPE"). At September 30, 2012 one Board member was associated with the SPE. The District is economically dependent on the SPE.

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, 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 (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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2012

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

Government-Wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the statement of net 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, 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 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 collectible 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 1st and ends on September 30th. 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2012

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

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

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

The District reports the following 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 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 Assets 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2012

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

Assets, Liabilities and Net Assets or Equity (Continued):

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

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

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

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

Long Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net 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. Bonds payable are reported net of premiums or discounts.

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

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2012

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

Fund Balance Categories and Classification (Continued):

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 assets in the government-wide 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.

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 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2012

Note 2 - Stewardship, Compliance and Accountability (Continued):

A. Budgetary Information (Continued):

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 \$(850,703) at September 30, 2012.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2012

Note 3 - Deposits and Investments (Continued):

Investments (Continued):

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.

Investments made by the District at September 30, 2012 are summarized below. In accordance with GASB 31, investments are reported at fair value.

Investment Type	Fair Value	Credit Rating	Weighted Average Maturity
First American Treasury Obligation Fund Z	\$ 1,803,907	AAAm	54 days
US Bank Money Market Fund	61,788	AAA	NA
Bank of Tampa Money Market Fund	4,673	NA	NA
	<u>\$ 1,870,368</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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2012

Note 3 - Deposits and Investments (Continued):

Investments (Continued):

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, 2012, 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, 2012, 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.

Note 4 - Interfund Transfers:

In the current year, \$41,621 was reclassified from interfund due to/due from accounts to interfund transfer accounts when it was determined that the debt service fund was unable return these funds to the general fund.

Note 5 - 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 \$30,037 was reimbursed to the District. As of September 30, 2012, \$73,065 in reimbursements was still owed back to the District.

MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2012

Note 6 - Bond Issue Costs:

In connection with the issuance of long-term debt discussed in Note 8, the District incurred bond issuance costs in prior years totaling \$872,103. In the government-wide financial statements, these amounts are capitalized and amortized over the estimated lives of the bonds. During the current year, the Series 2004, Series 2005 and Series 2007 bonds were restructured. Unamortized bond issuance costs of \$277,125, which were associated with exchanged or redeemed bonds, were written off. Bond issuance costs of \$375,000 related to the Series 2012 Bonds were capitalized in the current year. Amortization of bond issuance costs for the year was \$32,665.

Note 7 - Capital Assets:

Capital asset activity for the year ended September 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Infrastructure under construction	\$ 53,013,283	\$ 76,617	\$ -	\$ 53,089,900
Capital assets being depreciated:				
Recreational facilities	2,002,951	20,786	-	2,023,737
Furniture, fixtures and equipment	7,830	-	-	7,830
Total capital assets being depreciated	<u>2,010,781</u>	<u>20,786</u>	<u>-</u>	<u>2,031,567</u>
Less accumulated depreciation for:				
Recreational facilities	(183,604)	(67,804)	-	(251,408)
Furniture, fixtures and equipment	(3,785)	(1,566)	-	(5,351)
Total accumulated depreciation	<u>(187,389)</u>	<u>(69,370)</u>	<u>-</u>	<u>(256,759)</u>
Total capital assets being depreciated, net	<u>1,823,392</u>	<u>(48,584)</u>	<u>-</u>	<u>1,774,808</u>
Governmental activities capital assets, net	<u>\$ 54,836,675</u>	<u>\$ 28,033</u>	<u>\$ -</u>	<u>\$ 54,864,708</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 2012 was charged in the amounts of \$67,804 and \$1,566 to culture and recreation and physical environment expense, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2012

Note 8 - Long-Term Liabilities:

Bond Restructuring

The Series 2004, Series 2005 and Series 2007 Bonds were in default due to nonpayment of debt service. In the current year, in connection with a sale of certain property underlying these bonds by the Special Purpose Entity ("SPE"), these bonds were restructured. The SPE redeemed \$1,100,000 of these bonds and \$13,100,000 were exchanged for Series 2012 Bonds, leaving \$11,250,000 of unexchanged Series 2004, Series 2005 and Series 2007 Bonds outstanding. The principal of the bonds exchanged was \$1,130,974 greater than the principal of the Series 2012 Bonds acquired. Matured interest payable of \$1,653,372 and bond issuance costs of \$277,125 associated with the exchanged and redeemed bonds were written off. The bonds redeemed by the SPE, difference between exchanged and acquired bonds; write off of matured amounts, less the write off of bond issuance costs totaled a gain on restructuring of debt of \$3,607,221 in the government wide financial statements. On the fund financial statements, matured bonds and interest payable of \$2,088,372 relating to the exchanged and redeemed bonds was reversed in the current year and is recorded as other financing sources. The bond restructuring is described in more detail throughout Note 8.

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.

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 requirement has been met at September 30, 2012.

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 2003 Bonds is secured by a pledge of and a first lien upon the pledged special assessment revenue. The District is in compliance with the requirements of the Bond Indenture.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2012

Note 8 - Long-Term Liabilities (Continued):

Series 2003 Capital Improvement Revenue Bonds (Continued)

Total principal and interest remaining on the Series 2003A Revenue Bonds at September 30, 2012 is \$4,900,010. In the current year, principal and interest paid was \$233,525 and special assessment revenue pledged was \$222,349.

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 Special Purpose Entity ("SPE") sold a portion of the property underlying these bonds. In connection with that sale, the SPE 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, 2012.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2012

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, 2012 is \$7,612,800. Additionally, \$561,600 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 Special Purpose Entity ("SPE") sold a portion of the property underlying these bonds. In connection with that sale, the SPE 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 \$2,360,000 remains outstanding. 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2012

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, 2012.

Total principal and interest remaining on the Series 2005 Revenue Bonds at September 30, 2012 is \$2,731,700. Additionally, \$371,700 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. 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 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 Special Purpose Entity ("SPE") sold a portion of the property underlying these bonds. In connection with that sale, the SPE 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 May 1, 2038.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2012

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, 2012.

Total principal and interest remaining on the Series 2007 Revenue Bonds at September 30, 2012 is \$11,078,244. Additionally, \$1,073,533 of interest is past due and recorded as matured interest payable. Interest of \$357,861 was due 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 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.

MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2012

Note 8 - Long-Term Liabilities (Continued):

Series 2012 Capital Improvement Revenue Refunding Bonds (Continued):

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 2012 B-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.

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 District is in compliance with the requirements of the Bond Indenture.

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, 2012.

Total principal and interest remaining on the Series 2012 Bonds at September 30, 2012 is \$19,203,958. No interest or principal was due on the Series 2012 Bonds in the current year and no special assessment revenue was pledged.

Bonds payable activity for the year ended September 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
Series 2003	\$ 2,680,000	\$ -	\$ (65,000)	\$ 2,615,000	\$ 55,000
Series 2004	5,580,000	-	(2,460,000)	3,120,000	-
Series 2005	7,455,000	-	(5,095,000)	2,360,000	-
Series 2007	11,980,000	-	(6,210,000)	5,770,000	-
Series 2012	-	11,969,026	-	11,969,026	-
Governmental activity long-term liabilities	<u>\$ 27,695,000</u>	<u>\$ 11,969,026</u>	<u>\$ (13,830,000)</u>	<u>\$ 25,834,026</u>	<u>\$ 55,000</u>

MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2012

Note 8 - Long-Term Liabilities (Continued):

The reductions in the bonds payable schedule are comprised of \$65,000 of principal payments and \$13,765,000 of redeemed bonds and exchanged bonds. The beginning balance includes reductions of \$435,000 of principal amounts which were due, but not paid. This matured amount was reversed as part of the restructuring.

At September 30, 2012, 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:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2013	\$ 55,000	\$ 1,001,443
2014	60,000	997,978
2015	8,478,546	1,549,627
2016	172,460	1,162,408
2017	181,906	1,150,923
2018 - 2022	5,157,844	4,928,384
2023 - 2027	1,479,205	3,572,898
2028 - 2032	2,019,903	3,013,348
2033 - 2037	4,984,041	2,110,990
2038	3,245,121	204,687
	<u>\$ 25,834,026</u>	<u>\$ 19,692,686</u>

Note 9 - Notes Payable:

In the current year, the following notes and lines of credit due to MPPG, a former District developer, were forgiven. The gain on debt forgiveness is included in the government wide financial statements. There is no effect on the fund financial statements.

	Beginning Balance	Additions	Reductions	Ending Balance
Promissory Note, 4%, payable on issuance of next bond series	\$ 37,774	\$ -	\$ (37,774)	\$ -
Line of Credit, \$700,000, 6.25%, payable on demand	41,392	-	(41,392)	-
Line of Credit, \$350,000, 6.5%, payable on demand	8,472	-	(8,472)	-
Total notes payable	<u>\$ 87,638</u>	<u>\$ -</u>	<u>\$ (87,638)</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2012

Note 10 - Special Purpose Entity:

In the prior year, 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 temporarily deferred payment of principal and interest on the bonds outstanding and has directed the District to defer collection of the debt service assessments.

In the current year, the SPE paid the District \$1,238,408 to fund operations, representing 68% of total assessments and contributions. The District is responsible for funding the SPE, through the trust accounts at the discretion of the trustee, and paid the SPE \$350,000 in the current year, which is included in general government expense. SPE costs are paid from the Trust Estate at the direction of the Trustee. 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.

The SPE sold a portion of the land to a developer. The SPE used proceeds from the sale to redeem \$1,100,000 of the Series 2004, Series 2005 and Series 2007 Bonds outstanding. This amount is included in the gain on debt restructuring described in Note 8. Additionally, the SPE used proceeds of \$1,041,039 to fund the Series 2012 Debt Service Reserve Accounts and bond issuance costs. This amount is recorded as SPE contribution revenue in the debt service fund.

Note 11 - Risk Management:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. 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 12 - Subsequent Events:

Debt Service Payments

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

Significant Landowner Transactions

Wesley Chapel Lakes, Ltd, a District landowner, is in discussions with the Trustee regarding the delivery of a deed on their property to the Special Purpose Entity in lieu of foreclosure on their unpaid assessment lien.

COMPLIANCE SECTION

**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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 4, 2013, 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.

MCDIRMIT DAVIS & COMPANY, LLC
605 E. ROBINSON STREET, SUITE 635 • ORLANDO, FLORIDA 32801
TELEPHONE: 407-843-5406 • FAX 407-649-9339 • EMAIL: INFO@MCDIRMITDAVIS.COM

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 February 4, 2013.

We noted certain other matters that we reported to management of the District, in a separate letter dated February 4, 2013. 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.

McDiernit Davis & Company, LLC

February 4, 2013

MANAGEMENT COMMENTS

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

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, 2012, and have issued our report thereon dated February 4, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. Disclosures in that report, which is dated February 4, 2013, should be considered in conjunction with this management letter.

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

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The status of management's response to recommendations included in the preceding annual financial report is outlined in Appendix A to this report.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the District complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of 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 more than inconsequential. In connection with our audit, we did not have any such findings.

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605 E. ROBINSON STREET, SUITE 635 • ORLANDO, FLORIDA 32801
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- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse; and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information has been disclosed in the notes to the financial statements.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503 (1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District met one of the conditions described in Section 218.503(1), Florida Statutes, as a result of deteriorating financial conditions. This condition is described in Appendix D.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the District for the fiscal year ended September 30, 2012, 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, 2012. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. Deteriorating financial conditions were noted as indicated above under Section 10.554(1)(i)7.a.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing Standards generally accepted in the United States of America require us to indicate that this letter 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.

McDiernit Davis & Company, LLC

February 4, 2013

MEADOW POINTE IV COMMUNITY DEVELOPMENT DISTRICT

APPENDIX A - PRIOR YEAR RECOMMENDATIONS

Year Ended September 30, 2012

No.	Prior Year's Finding	Finding No Longer Relevant	Finding is Still Relevant	Finding Included in Second Preceding Audit
11-01	Failure to Make Bond Debt Service Payments When Due		X	X
11-02	Failure to Meet Debt Service Requirements		X	X
11-03	No Supporting Documents for Certain Expenditures	X		
11-04	Failure to Include Component Unit Financial Statements in the Financial Report		X	

APPENDIX B - MATERIAL WEAKNESS

Year Ended September 30, 2012

12-03 - 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

McDermitt Davis 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.

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

Year Ended September 30, 2012

12-01 - Failure to Make Bond Debt Service Payments When Due

Criteria

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

Condition

In the current year and prior years, interest was not paid on the Series 2004, Series 2005 and Series 2007 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 current year, the special assessment liens on the unexchanged bonds have been extinguished.

Effect

At September 30, 2012, 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.

12-02 - 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, 2012, 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, 2012

12-01 - 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 and Series 2007 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

February 4, 2013

Response to the Management Letter for the fiscal year ended September 30, 2012

Management Letter finding 12-01:

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

District response to the finding:

In the 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 the current 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. Due to the lack of special assessment revenue to pay the unexchanged portion of the bonds, no principal or interest payment can be made.

Management Letter finding 12-02:

The auditor noted that the District's Series 2004, 2005 and 2007 Debt Service Reserve Accounts were deficient at September 30, 2012, as a result of funds from the Reserve Accounts being used to make debt service payments.

District response to the finding:

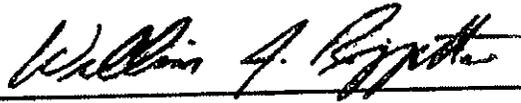
The Trustee, on behalf of the bondholders, created a Special Purpose Entity ("SPE") to own, manage and dispose of the land taken in lieu of foreclosure from three significant landowners of the District. The District, Trustee, and the SPE entered into a tri-party agreement whereby the SPE assumed responsibility 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 12-03:

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.



William J. Rizzetta

Treasurer

Meadow Pointe IV Community Development District