

**Solterra Resort Community
Development District**

ANNUAL FINANCIAL REPORT

September 30, 2015

Solterra Resort Community Development District

ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2015

TABLE OF CONTENTS

	<u>Page Number</u>
REPORT OF INDEPENDENT AUDITORS	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-8
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	12
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	15
Notes to Financial Statements	16-28
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	29-30
MANAGEMENT LETTER	31-32
INDEPENDENT ACCOUNTANT'S REPORT / COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES	33



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REPORT OF INDEPENDENT AUDITORS

To the Board of Supervisors
Solterra Resort Community Development District
Polk County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Solterra Resort Community Development District as of and for the year ended September 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

To the Board of Supervisors
Solterra Resort Community Development District

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of Solterra Resort Community Development District, as of September 30, 2015, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis 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 June 23, 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 and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Solterra Resort Community Development District's internal control over financial reporting and compliance.

*Berger, Toombs, Elam,
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

June 23, 2016

Solterra Resort Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2015

Management's discussion and analysis of Solterra Resort Community Development District (the "District") financial performance provides an objective and easily readable analysis of the District's financial activities. The analysis provides summary financial information for the District and should be read in conjunction with the District's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's basic financial statements comprise three components; 1) *Government-wide financial statements*, 2) *Fund financial statements*, and 3) *Notes to financial statements*. The *Government-wide financial statements* present an overall picture of the District's financial position and results of operations. The *Fund financial statements* present financial information for the District's major funds. The *Notes to financial statements* provide additional information concerning the District's finances.

The *Government-wide financial statements* are the **statement of net position** and the **statement of activities**. These statements use accounting methods similar to those used by private-sector companies. Emphasis is placed on the net position of governmental activities and the change in net position. Governmental activities are primarily supported by special assessments.

The **statement of net position** presents information on all assets and liabilities of the District, with the difference between assets and liabilities reported as net position. Net position are reported in three categories; 1) net investment in capital assets 2) restricted, and 3) unrestricted. Assets, liabilities, and net position are reported for all Governmental activities.

The statement of activities presents information on all revenues and expenses of the District and the change in net position. Expenses are reported by major function and program revenues relating to those functions are reported, providing the net cost of all functions provided by the District. To assist in understanding the District's operations, expenses have been reported as governmental activities. Governmental activities financed by the District include general government, physical environment and debt service.

Fund financial statements present financial information for governmental funds. These statements provide financial information for the major funds of the District. Governmental fund financial statements provide information on the current assets and liabilities of the funds, changes in current financial resources (revenues and expenditures), and current available resources.

**Solterra Resort Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2015**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund financial statements include a **balance sheet** and a **statement of revenues, expenditures and changes in fund balances** for all governmental funds. A **statement of revenues, expenditures, and changes in fund balances – budget and actual** is provided for the District's General Fund. *Fund financial statements* provide more detailed information about the District's activities. Individual funds are established by the District to track revenues that are restricted to certain uses or to comply with legal requirements.

The *government-wide financial statements* and the *fund financial statements* provide different pictures of the District. The *government-wide financial statements* provide an overall picture of the District's financial standing. These statements are comparable to private-sector companies and give a good understanding of the District's overall financial health and how the District paid for the various activities, or functions, provided by the District. All assets of the District, including land, buildings and improvements, and infrastructure are reported in the **statement of net position**. All liabilities, including principal outstanding on bonds are included. The **statement of activities** includes depreciation on all long lived assets of the District, but transactions between the different functions of the District have been eliminated in order to avoid "doubling up" the revenues and expenses. The *fund financial statements* provide a picture of the major funds of the District. In the case of governmental activities, outlays for long lived assets are reported as expenditures and long-term liabilities, such as general obligation bonds, are not included in the fund financial statements. To provide a link from the *fund financial statements* to the *government-wide financial statements*, a reconciliation is provided from the *fund financial statements* to the *government-wide financial statements*.

Notes to financial statements provide additional detail concerning the financial activities and financial balances of the District. Additional information about the accounting practices of the District, investments of the District, capital assets and long-term debt are some of the items included in the *notes to financial statements*.

Financial Highlights

The following are the highlights of financial activity for the year ended September 30, 2015.

- ◆ The District's total assets were exceeded by total liabilities by \$6,076,537 (net position). Unrestricted net position for Governmental Activities was \$9,193. Net investment in capital assets was \$5,860,566 and restricted net position was \$206,778.
- ◆ Governmental activities revenues totaled \$2,142,563 while governmental activities expenses totaled \$1,922,907.

**Solterra Resort Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2015**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District

The following schedule provides a summary of the assets, liabilities and net position of the District and is presented by category for comparison purposes.

Net Position

	Governmental Activities	
	2015	2014
Current assets	\$ 828,419	\$ 191,807
Restricted assets	556,431	508,138
Capital assets	14,579,403	10,862,233
Total Assets	<u>15,964,253</u>	<u>11,562,178</u>
Current liabilities	837,716	340,297
Non-current liabilities	9,050,000	5,365,000
Total Liabilities	<u>9,887,716</u>	<u>5,705,297</u>
Net investment in capital assets	5,860,566	5,733,122
Net position - debt service	204,161	83,847
Net position - capital projects	2,617	9,915
Net position - unrestricted	9,193	29,997
Total Net Position	<u>\$ 6,076,537</u>	<u>\$ 5,856,881</u>

The increase in current assets is the result of an increase in accounts receivable and assessments receivable.

The increase in capital assets is primarily due to an increase in construction in progress in excess of depreciation.

The increase in current liabilities is the result of an increase in accounts payable due to construction in progress.

The increase in non-current liabilities and net position - debt service is primarily due to issuance of new long-term debt in the current year.

**Solterra Resort Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2015**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District (Continued)

The following schedule provides a summary of the changes in net position of the District and is presented by category for comparison purposes.

Change In Net Position

	Governmental Activities	
	2015	2014
Program Revenues		
Charges for services	\$ 1,339,912	\$ 906,822
Capital grants and contributions	799,933	-
General Revenues		
Investment earnings	143	93
Miscellaneous	2,575	133,503
Total Revenues	<u>2,142,563</u>	<u>1,040,418</u>
Expenses		
General government	115,995	156,171
Physical environment	663,646	805,611
Culture and recreation	335,753	-
Interest on long-term debt	807,513	404,255
Total Expenses	<u>1,922,907</u>	<u>1,366,037</u>
Change in Net Position	219,656	(325,619)
Net Position - Beginning of Year	<u>5,856,881</u>	<u>6,182,500</u>
Net Position - End of Year	<u>\$ 6,076,537</u>	<u>\$ 5,856,881</u>

The increase in charges for services was attributed to an increase in special assessments levied in the current year.

The increase in capital grants and contributions and the decrease in miscellaneous revenues is the result of an increase in developer contributions for construction within the District and a change in classification of developer contributions.

The decrease in physical environment and increase in culture and recreation is primarily due to a change in classification of expenses.

The increase in interest on long-term debt is the result of interest payments on the new bonds issued in the current year.

**Solterra Resort Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2015**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Capital Assets Activity

The following schedule provides a summary of the District's capital assets as of September 30, 2015 and 2014.

<u>Description</u>	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Construction in progress	\$ 4,268,296	\$ -
Land	300,000	300,000
Infrastructure	7,484,744	7,484,744
Buildings	4,985,748	4,977,923
Improvements other than buildings	71,027	71,027
Equipment	132,318	132,318
Accumulated depreciation	<u>(2,662,730)</u>	<u>(2,103,779)</u>
Total Capital Assets (Net)	<u>\$ 14,579,403</u>	<u>\$ 10,862,233</u>

The activity for the year consisted of additions to construction in progress and buildings of \$4,268,296 and \$7,825, respectively and depreciation of \$558,951.

General Fund Budgetary Highlights

Actual governmental expenditures were less than final budgeted amounts primarily due to less landscaping expenditures than anticipated.

The budget was amended to increase landscaping and clubhouse expenditures.

Debt Management

Governmental Activities debt includes the following:

- ◆ In April 2013, the District issued \$5,420,000 Taxable Special Assessment Bonds, Series 2013. These bonds were issued to finance the acquisition and construction of certain improvements within the District. The balance outstanding at September 30, 2015 was \$5,365,000.
- ◆ In December 2014, the District issued \$3,830,000 Special Assessment Bonds, Series 2014. These bonds were issued to finance the acquisition and construction of certain improvements within the District. The balance outstanding at September 30, 2015 was \$3,830,000.

**Solterra Resort Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2015**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Economic Factors and Next Year's Budget

Solterra Resort Community Development District does not expect any economic factors to have any significant effect on the financial position or results of operations of the District in fiscal year 2016.

Request for Information

The financial report is designed to provide a general overview of Solterra Resort Community Development District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Solterra Resort Community Development District, Development Planning & Finance Group, 1060 Maitland Center Commons Blvd., Suite 340, Maitland, FL 32751.

Solterra Resort Community Development District
STATEMENT OF NET POSITION
September 30, 2015

	Governmental Activities
ASSETS	
Current Assets	
Cash	\$ 13,819
Accounts receivable	431,182
Assessments receivable	374,008
Prepaid items	7,550
Deposits	1,860
Total Current Assets	828,419
Non-current Assets	
Restricted assets	
Investments	556,431
Capital assets not being depreciated	
Construction in progress	4,268,296
Land	300,000
Capital assets being depreciated	
Infrastructure	7,484,744
Buildings	4,985,748
Improvements other than buildings	71,027
Equipment	132,318
Less: accumulated depreciation	(2,662,730)
Total Non-current Assets	15,135,834
Total Assets	15,964,253
LIABILITIES	
Current Liabilities	
Accounts payable and accrued expenses	442,370
Accrued interest	250,346
Bonds payable	145,000
Total Current Liabilities	837,716
Non-current liabilities	
Bonds payable	9,050,000
Total Liabilities	9,887,716
NET POSITION	
Net investment in capital assets	5,860,566
Restricted - debt service	204,161
Restricted - capital projects	2,617
Unrestricted	9,193
Total Net Position	\$ 6,076,537

See accompanying notes to financial statements.

Solterra Resort Community Development District
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2015

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenues and Changes in Net Position
<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>		<u>Governmental Activities</u>
Governmental Activities				
General government	\$ (115,995)	\$ 67,794	\$ -	\$ (48,201)
Physical environment	(663,646)	363,622	799,933	499,909
Culture and recreation	(335,753)	184,892	-	(150,861)
Interest on long-term debt	(807,513)	723,604	-	(83,909)
Total Governmental Activities	<u>\$ (1,922,907)</u>	<u>\$ 1,339,912</u>	<u>\$ 799,933</u>	<u>216,938</u>
General revenues:				
				143
				2,575
				<u>2,718</u>
				219,656
				5,856,881
				<u>\$ 6,076,537</u>

See accompanying notes to financial statements.

Solterra Resort Community Development District
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2015

ASSETS	General	Debt Service 2013	Debt Service 2014	Capital Projects	Total Governmental Funds
Cash	\$ 13,819	\$ -	\$ -	\$ -	\$ 13,819
Accounts receivable	1,100	473	-	429,609	431,182
Assessments receivable	234	205,589	168,185	-	374,008
Due from other funds	5,447	-	-	-	5,447
Prepaid expenses	7,550	-	-	-	7,550
Deposits	1,860	-	-	-	1,860
Restricted assets					
Investments, at fair value	-	418,593	137,830	8	556,431
Total Assets	<u>\$ 30,010</u>	<u>\$ 624,655</u>	<u>\$ 306,015</u>	<u>\$ 429,617</u>	<u>\$ 1,390,297</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued expenses	\$ 20,817	\$ -	\$ -	\$ 421,553	\$ 442,370
Due to other funds	-	-	-	5,447	5,447
Total Liabilities	<u>20,817</u>	<u>-</u>	<u>-</u>	<u>427,000</u>	<u>447,817</u>
FUND BALANCES					
Nonspendable					
Prepaid expenses	7,550	-	-	-	7,550
Deposits	1,860	-	-	-	1,860
Restricted					
Debt service	-	624,655	306,015	-	930,670
Capital projects	-	-	-	2,617	2,617
Unassigned	(217)	-	-	-	(217)
Total Fund Balances	<u>9,193</u>	<u>624,655</u>	<u>306,015</u>	<u>2,617</u>	<u>942,480</u>
Total Liabilities and Fund Balances	<u>\$ 30,010</u>	<u>\$ 624,655</u>	<u>\$ 306,015</u>	<u>\$ 429,617</u>	<u>\$ 1,390,297</u>

See accompanying notes to financial statements.

Solterra Resort Community Development District
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
September 30, 2015

Total Governmental Fund Balances	\$	942,480
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets consisting of construction in progress, \$4,268,296, land, \$300,000, infrastructure, \$7,484,744, buildings, \$4,985,748, improvements other than buildings, \$71,027, and equipment, \$131,318, net of accumulated depreciation, \$(2,662,730) used in governmental activities are not financial resources and therefore, are not reported at the fund statement level.		14,579,403
Long-term liabilities, such as bonds payable, are not due and payable in the current period and therefore, are not reported at the fund statement level.		(9,195,000)
Accrued interest expense for long-term debt is not a financial use, and therefore, is not reported at the fund statement level.		<u>(250,346)</u>
Net Position of Governmental Activities	<u>\$</u>	<u>6,076,537</u>

See accompanying notes to financial statements.

Solterra Resort Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2015

	General	Debt Service 2013	Debt Service 2014	Capital Projects	Total Governmental Funds
Revenues					
Special assessments	\$ 616,308	\$ 474,705	\$ 248,899	\$ -	\$ 1,339,912
Developer contributions	-	-	-	799,933	799,933
Investment earnings	11	22	3	107	143
Miscellaneous revenues	2,575	-	-	-	2,575
Total Revenues	<u>618,894</u>	<u>474,727</u>	<u>248,902</u>	<u>800,040</u>	<u>2,142,563</u>
Expenditures					
Current					
General government	115,995	-	-	-	115,995
Physical environment	285,858	-	-	-	285,858
Culture and recreation	154,590	-	-	-	154,590
Capital outlay	-	-	-	4,276,121	4,276,121
Debt service					
Principal	46,402	55,000	-	-	101,402
Interest	-	400,975	72,256	-	473,231
Other	12,437	-	-	231,859	244,296
Total Expenditures	<u>615,282</u>	<u>455,975</u>	<u>72,256</u>	<u>4,507,980</u>	<u>5,651,493</u>
Excess of Revenues Over (Under) Expenditures	3,612	18,752	176,646	(3,707,940)	(3,508,930)
Other Financing Sources and Uses					
Transfers in	-	-	-	14	14
Transfers out	-	(11)	(3)	-	(14)
Proceeds from long-term debt	-	-	129,372	3,700,628	3,830,000
Total Other Financing Sources and Uses	<u>-</u>	<u>(11)</u>	<u>129,369</u>	<u>3,700,642</u>	<u>3,830,000</u>
Net change in fund balances	3,612	18,741	306,015	(7,298)	321,070
Fund Balances - October 1, 2014	<u>5,581</u>	<u>605,914</u>	<u>-</u>	<u>9,915</u>	<u>621,410</u>
Fund Balances - September 30, 2015	<u>\$ 9,193</u>	<u>\$ 624,655</u>	<u>\$ 306,015</u>	<u>\$ 2,617</u>	<u>\$ 942,480</u>

See accompanying notes to financial statements.

Solterra Resort 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 - Total Governmental Funds \$ 321,070

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount that depreciation \$(558,951), was exceeded by capital outlay expenditures, \$4,276,121, in the current period. 3,717,170

Repayment of long-term debt is an expenditure at the fund level, but the repayment reduces long-term liabilities at the government-wide level. 101,402

The issuance of long-term debt provides current financial resources to governmental funds. However, in the Statement of Net Position, the proceeds are recorded as a long-term liability. This is the amount of bonds payable issued in the current period. (3,830,000)

In the Statement of Activities, interest is accrued on outstanding bonds; whereas in governmental funds, interest expenditures are reported when due. This is the net amount between the prior year and the current year accruals. (89,986)

Change in Net Position of Governmental Activities \$ 219,656

See accompanying notes to financial statements.

Solterra Resort Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended September 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Special assessments	\$ 573,010	\$ 621,010	\$616,308	\$ (4,702)
Investment earnings	-	-	11	11
Miscellaneous revenues	-	-	2,575	2,575
Total Revenues	<u>573,010</u>	<u>621,010</u>	<u>618,894</u>	<u>(2,116)</u>
Expenditures				
Current				
General government	131,912	122,912	115,995	6,917
Physical environment	245,732	287,232	285,858	1,374
Culture and recreation	127,395	156,493	154,590	1,903
Debt service				
Principal	60,000	46,402	46,402	-
Other	7,971	7,971	12,437	(4,466)
Total Expenditures	<u>573,010</u>	<u>621,010</u>	<u>615,282</u>	<u>5,728</u>
Net change in fund balances	-	-	3,612	3,612
Fund Balances - October 1, 2014	<u>-</u>	<u>-</u>	<u>5,581</u>	<u>5,581</u>
Fund Balances - September 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,193</u>	<u>\$ 9,193</u>

See accompanying notes to financial statements.

Solterra Resort Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Solterra Resort Community Development District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

1. Reporting Entity

The District was established on July 14, 2004 by Polk County Ordinance 04-41, under the Uniform Community Development District Act of 1980, Chapter 190, Florida Statutes, as amended (the "Act"), as Oakmont Grove Community Development District. The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of the infrastructure necessary for community development within its jurisdiction. The District is governed by a five-member Board of Supervisors, who are elected for terms of four years. The District operates within the criteria established by Chapter 190. The Board has the responsibility for assessing and levying assessments, approving budgets, exercising control over facilities and properties, controlling the use of funds generated by the District, approving the hiring and firing of key personnel, and financing improvements. In July 2013, the District changed its name to Solterra Resort Community Development District.

The reporting entity for the District includes all functions of government in which the District's Board exercises oversight responsibility. Oversight responsibility includes, but is not limited to, financial interdependency, designation of management, significant ability to influence operations and accountability for fiscal matters. As required by GAAP, these financial statements present the Solterra Resort Community Development District (the primary government) as a stand-alone government.

Based upon the application of the above-mentioned criteria as set forth by the Governmental Accounting Standards Board, the District has identified no component units.

2. Measurement Focus and Basis of Accounting

The basic financial statements of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

Solterra Resort Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

a. Government-wide Financial Statements

Government-wide financial statements report all non-fiduciary information about the reporting government as a whole. These statements include the governmental activities of the primary government. The effect of interfund activity has been removed from these statements.

Governmental activities are supported by special assessments, developer assessments and interest. Program revenues include charges for services, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source.

Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

b. Fund Financial Statements

The underlying accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually.

Solterra Resort Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds

The District has implemented the Governmental Accounting Standards Board Statement 54 – Fund Balance Reporting and Governmental Fund Type Definitions. The Statement requires the fund balance for governmental funds to be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The District has various policies governing the fund balance classifications.

Nonspendable Fund Balance – This classification consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted Fund Balance – This classification includes amounts that can be spent only for specific purposes stipulated by the state constitution, external resource providers, or through enabling legislation.

Assigned Fund Balance – This classification consists of the Board of Supervisors' intent to be used for specific purposes, but are neither restricted nor committed. The assigned fund balances can also be assigned by the District's management company.

Unassigned Fund Balance – This classification is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. Unassigned fund balance is considered to be utilized first when expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Fund Balance Spending Hierarchy - For all governmental funds except special revenue funds, when restricted, committed, assigned, and unassigned fund balances are combined in a fund, qualified expenditures are paid first from restricted or committed fund balance, as appropriate, then assigned and finally unassigned fund balances.

Solterra Resort Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collected within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Interest associated with the current fiscal period is considered to be an accrual item and so has been recognized as revenue of the current fiscal period.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of “available spendable resources”. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability.

Debt service expenditures are recorded only when payment is due.

3. Basis of Presentation

a. Governmental Major Funds

General Fund - The 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.

Solterra Resort Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Basis of Presentation (Continued)

a. Governmental Major Funds (Continued)

2013 Debt Service Fund - Accounts for debt service requirements to retire certain capital improvement revenue bonds which were used to finance the construction of District infrastructure improvements and finance certain additional improvements. The bond series is secured by a pledge of debt service special assessment revenues in any fiscal year related to the improvements. A lien is placed on all benefited land in relationship to the debt outstanding.

2014 Debt Service Fund - Accounts for debt service requirements to retire certain capital improvement revenue bonds which were used to finance the construction of District infrastructure improvements and finance certain additional improvements. The bond series is secured by a pledge of debt service special assessment revenues in any fiscal year related to the improvements. A lien is placed on all benefited land in relationship to the debt outstanding.

Capital Projects Fund - The Capital Project Fund accounts for construction of infrastructure improvements within the boundaries of the district, which are funded by bond proceeds of the Series 2013 and Series 2014 Bonds. A lien is placed on all benefited land in relationship to the debt outstanding.

b. Non-current Governmental Assets/Liabilities

GASB Statement 34 requires that non-current governmental assets, such as land and buildings, and non-current governmental liabilities, such as special assessment bonds, be reported in the governmental activities column in the government-wide statement of net position.

4. Assets, Liabilities and Net Position or Equity

a. Cash and Investments

Florida Statutes require state and local governmental units to deposit monies with financial institutions classified as "Qualified Public Depositories," a multiple financial institution pool whereby groups of securities pledged by the various financial institutions provide common collateral from their deposits of public funds. This pool is provided as additional insurance to the federal depository insurance and allows for additional assessments against the member institutions, providing full insurance for public deposits.

Solterra Resort Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Assets, Liabilities and Net Position or Equity (Continued)

a. Cash and Investments (Continued)

The District is authorized to invest in those financial instruments as established by Section 218.415, Florida Statutes. The authorized investments consist of:

1. Direct obligations of the United States Treasury;
2. The Local Government Surplus Funds Trust or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperative Act of 1969;
3. Interest-bearing time deposits or savings accounts in authorized qualified public depositories;
4. Securities and Exchange Commission, registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

Cash equivalents include time deposits and certificates of deposit with original maturities of three months or less and held in a qualified public depository as defined by Section 280.02, Florida Statutes.

b. Restricted Assets

Certain net position of the District are classified as restricted assets on the statement of net position because their use is limited either by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors. In a fund with both restricted and unrestricted assets, qualified expenses are considered to be paid first from restricted net position and then from unrestricted net position.

c. Capital Assets

Capital assets, which include land and infrastructure, are reported in the applicable governmental activities column.

The District defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. The valuation basis for all assets is historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Solterra Resort Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Assets, Liabilities and Net Position or Equity (Continued)

c. Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation of capital assets is computed and recorded by utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Infrastructure	20 years
Buildings	30 years
Improvements other than buildings	20 years
Equipment	5-10 years

d. Budgets

Budgets are prepared and adopted after public hearings for the governmental funds, pursuant to Chapter 190 and Section 200.065, Florida Statutes. The District utilizes the same basis of accounting for budgets as it does for revenues and expenditures in its various funds. The legal level of budgetary control is at the fund level. All budgeted appropriations lapse at year end. Formal budgets are adopted for the general and debt service funds. As a result, deficits in the budget variance columns of the accompanying financial statements may occur.

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

“Total fund balances” of the District’s governmental funds (\$942,480) differs from “net position” of governmental activities (\$6,076,537) reported in the statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet. The effect of the differences is illustrated below.

**Solterra Resort Community Development District
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015**

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

1. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position (Continued)

Capital related items

When capital assets (property, plant and equipment that are to be used in governmental activities) are purchased or constructed, the cost of those assets is reported as expenditures in governmental funds. However, the statement of net position included those capital assets among the assets of the District as a whole.

Construction in progress	\$ 4,268,296
Land	300,000
Infrastructure	7,484,744
Buildings	4,985,748
Improvements other than buildings	71,027
Equipment	132,318
Less: accumulated depreciation	<u>(2,662,730)</u>
Total	<u>\$ 14,579,403</u>

Long-term debt transactions

Long-term liabilities applicable to the District’s governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Position. Balances at September 30, 2015 were:

Bonds Payable	<u>\$ (9,195,000)</u>
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Accrued interest

Accrued liabilities in the statement of net position differ from the amount reported in governmental funds due to accrued interest on bonds.

Accrued interest on bonds payable	<u>\$ (250,346)</u>
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Solterra Resort Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

2. Explanation of Differences Between the Governmental Fund Operating Statements and the Statement of Activities

The “net change in fund balances” for government funds (\$321,070) differs from the “change in net position” for governmental activities (\$219,656) reported in the Statement of Activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital related items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation. As a result, fund balances decrease by the amount of financial resources expended, whereas net position decrease by the amount of depreciation charged for the year.

Depreciation	\$ (558,951)
Capital outlay	<u>4,276,121</u>
Total	<u><u>\$ 3,717,170</u></u>

Long-term debt transactions

Repayments of bonds and notes principal are reported as an expenditure in the governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used. In the Statement of Net Position, these payments are reflected as a reduction of bonds and notes payable.

Notes payable	\$ 46,402
Bonds payable	<u>55,000</u>
Total	<u><u>\$ 101,402</u></u>

Issuance of new debt provides current financial resources to governmental funds, but the issuance of new debt increase long-term liabilities in the Statement of Net Position.

Issuance of new debt	<u><u>\$ (3,830,000)</u></u>
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Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.

Net change in accrued interest payable	<u><u>\$ (89,986)</u></u>
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**Solterra Resort Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015**

NOTE C - CASH AND INVESTMENTS

All deposits are held in qualified public depositories and are included on the accompanying balance sheet as cash and investments.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk, however, they follow the provisions of Chapter 280, Florida Statutes regarding deposits and investments. As of September 30, 2015, the District's bank balance was \$20,498 and the carrying value was \$13,819. Exposure to custodial credit risk was as follows. The District maintains all deposits in a qualified public depository in accordance with the provisions of Chapter 280, Florida Statutes, which means that all deposits are fully insured by Federal Depositors Insurance or collateralized under Chapter 280, Florida Statutes.

As of September 30, 2015, the District had the following investments and maturities:

Investment	Maturities	Fair Value
First American Government Obligation Fund Class Y	N/A	\$ 556,431

Interest Rate Risk

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

Credit Risk

The District's investments in treasury funds and government loans are limited by state statutory requirements and bond compliance. The District has no investment policy that would further limit its investment choices. As of September 30, 2015, the District's investments in First American Government Obligations was rated AAAM by Standard & Poor's.

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one fund. The investments in First American Government Obligations are 100% of the District's investments.

The types of deposits and investments and their level of risk exposure as of September 30, 2015 were typical of these items during the fiscal year then ended. The District considers any decline in fair value for certain investments to be temporary.

Solterra Resort Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE D – SPECIAL ASSESSMENT REVENUES

Special assessment revenues recognized for the 2014-2015 fiscal year were levied in October 2014. All taxes are due and payable on November 1 or as soon as the assessment roll is certified and delivered to the Tax Collector. Per Section 197.162, Florida Statutes discounts are allowed for early payment at the rate of 4% in November, 3% in December, 2% in January, and 1% in February. Taxes paid in March are without discount.

NOTE E – CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 4,268,296	\$ -	\$ 4,268,296
Land	300,000	-	-	300,000
Total Capital Assets, Not Being Depreciated	<u>300,000</u>	<u>4,268,296</u>	<u>-</u>	<u>4,568,296</u>
Capital assets, being depreciated:				
Infrastructure	7,484,744	-	-	7,484,744
Buildings	4,977,923	7,825	-	4,985,748
Improvements other than buildings	71,027	-	-	71,027
Equipment	132,318	-	-	132,318
Total Capital Assets, Being Depreciated	<u>12,666,012</u>	<u>7,825</u>	<u>-</u>	<u>12,673,837</u>
Less accumulated depreciation for:				
Infrastructure	(2,008,109)	(374,237)	-	(2,382,346)
Buildings	(82,965)	(166,192)	-	(249,157)
Improvements other than buildings	(2,941)	(3,551)	-	(6,492)
Equipment	(9,764)	(14,971)	-	(24,735)
Total accumulated depreciation	<u>(2,103,779)</u>	<u>(558,951)</u>	<u>-</u>	<u>(2,662,730)</u>
Total Capital Assets Depreciated, Net	<u>10,562,233</u>	<u>(551,126)</u>	<u>-</u>	<u>10,011,107</u>
Governmental Activities Capital Assets	<u>\$ 10,862,233</u>	<u>\$ 3,717,170</u>	<u>\$ -</u>	<u>\$ 14,579,403</u>

Depreciation was allocated to physical environment, \$377,788, and culture and recreation, \$181,163.

Solterra Resort Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE F - LONG-TERM DEBT

The following is a summary of activity for long-term debt of the District for the year ended September 30, 2015:

	Balance October 1, 2014	Additions	Deletions	Balance September 30, 2015	Due Within One Year
Taxable Special Assessment Bonds, Series 2013	\$ 5,420,000	\$ -	\$ (55,000)	\$ 5,365,000	\$ 60,000
Special Assessment Bonds, Series 2014	-	3,830,000	-	3,830,000	85,000
Total	<u>\$ 5,420,000</u>	<u>\$ 3,830,000</u>	<u>\$ (55,000)</u>	<u>\$ 9,195,000</u>	<u>\$ 145,000</u>

\$5,420,000 Taxable Special Assessment Bonds, Series 2013 due in annual principal installments beginning November 2014, maturing in November 2043. Interest at rates ranging from 6.5% - 7.75%, is due May and November beginning November 2013.

\$ 5,365,000

\$3,830,000 Special Assessment Bonds, Series 2014 due in annual principal installments beginning November 2015, maturing in November 2044. Interest at rates ranging from 5% - 5.375%, is due May and November beginning May 2015.

3,830,000

Total Bonds Payable

\$ 9,195,000

The annual requirements to amortize the principal and interest of bonded debt outstanding as of September 30, 2015 are as follows:

Year Ending September 30,	Principal	Interest	Total
2016	\$ 145,000	\$ 596,756	\$ 741,756
2017	125,000	589,069	714,069
2018	130,000	581,681	711,681
2019	140,000	573,844	713,844
2020	150,000	565,431	715,431
2021-2025	875,000	2,683,519	3,558,519
2026-2030	1,175,000	2,371,231	3,546,231
2031-2035	1,605,000	1,927,706	3,532,706
2036-2040	2,220,000	1,288,791	3,508,791
2041-2045	2,630,000	402,263	3,032,263
Totals	<u>\$ 9,195,000</u>	<u>\$ 11,580,291</u>	<u>\$ 20,775,291</u>

Solterra Resort Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

Summary of Significant Bonds Resolution Terms and Covenants

The District levies special assessments pursuant to Section 190.022, Florida Statutes and the assessment rolls are approved by resolutions of the District Board. The collections are to be strictly accounted for and applied to the debt service of the bond series for which they were levied. The District covenants to levy special assessments in annual amounts adequate to provide for payment of principal and interest on the bonds. Payment of principal and interest is dependent on the money available in the debt service fund and the District's ability to collect special assessments levied.

The bonds are subject to extraordinary mandatory redemption prior to maturity, in whole on any date, or in part on an interest payment date, without premium, together with accrued interest to the redemption date if monies are available to retire the debt in accordance with the provisions of the indenture.

The bond resolution and the trust indenture provide for the establishment of certain accounts. The accounts include a construction, revenue, redemption, reserve, interest and prepayment account and are maintained by a trustee.

The bond indentures provides for Debt Service Reserve Funds, which shall be held by the Trustee separate and apart from all other funds. The following is a schedule of reserve requirements and balances in the reserve accounts at September 30, 2015:

	<u>Reserve Balance</u>	<u>Reserve Requirement</u>
Series 2013	\$ 346,791	\$ 346,791
Series 2014	129,372	129,372

NOTE G - RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

NOTE H – ECONOMIC DEPENDENCY AND RELATED PARTIES

A substantial portion of the District's activity is dependent upon the continued involvement of the developer, the loss of which could have a materially adverse effect on the District. At September 30, 2015, the developer held the majority of the assessable property located within District boundaries. All members of the Board of Supervisors were employed by the developer.

NOTE I – FUND BALANCE RESTATEMENT

The General Fund beginning fund balance was restated as a result of less proceeds received from the promissory note than anticipated.

Fund Balance – October 1, 2014, as previously reported	\$ 15,081
Decrease	<u>(9,500)</u>
Fund Balance – October 1, 2014, restated	<u>\$ 5,581</u>



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

To the Board of Supervisors
Solterra Resort Community Development District
Polk County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Solterra Resort Community Development District, as of and for the year ended September 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated June 23, 2016.

Internal Control Over Financial Reporting

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

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

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

To the Board of Supervisors
Solterra Resort Community Development District
Polk County, Florida

Compliance and Other Matters

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

Purpose of this Report

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



Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants
Fort Pierce, Florida

June 23, 2016



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MANAGEMENT LETTER

To the Board of Supervisors
Solterra Resort Community Development District
Polk County, Florida

Report on the Financial Statements

We have audited the financial statements of the Solterra Resort Community Development District as of and for the year ended September 30, 2015, and have issued our report thereon dated June 23, 2016.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and our Independent Auditor's Report on an examination conducted in accordance with AICPA Professionals Standards, Section 601 regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in that report, which is dated April 26, 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 address in the Management Letter, if not already addressed in the auditor's report on compliance and internal controls, whether or not recommendations made in the preceding annual financial report have been followed. There were no recommendations made in the preceding audit report.

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether or not Solterra Resort Community Development District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the Solterra Resort Community Development District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

To the Board of Supervisors
Solterra Resort Community Development District

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial conditions assessment procedures. It is management's responsibility to monitor the Solterra Resort Community Development District's financial condition; our financial condition assessment was based in part on the representations made by management and the review of the financial information provided by the same.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Solterra Resort 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.

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, Federal and other granting agencies, 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.

*Berger, Toombs, Elam,
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

June 23, 2016



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**INDEPENDENT ACCOUNTANT'S REPORT/COMPLIANCE
WITH SECTION 218.415, FLORIDA STATUTES**

To the Board of Supervisors
Solterra Resort Community Development District
Polk County, Florida

We have examined Solterra Resort Community Development District's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2015. Management is responsible for Solterra Resort Community Development District's compliance with those requirements. Our responsibility is to express an opinion on Solterra Resort Community Development 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 Solterra Resort Community Development 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 Solterra Resort Community Development District's compliance with the specified requirements.

In our opinion, Solterra Resort Community Development District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2015.

*Berger, Toombs, Elam,
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

June 23, 2016