

Stevens Plantation  
Community Development  
District

Financial Statements

September 30, 2013

Stevens Plantation Community Development District  
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September 30, 2013

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Supervisors  
Stevens Plantation Community Development District  
St. Cloud, Florida

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Stevens Plantation Community Development District (hereinafter referred to as "District"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of September 30, 2013, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As discussed in Note 7 to the financial statements, the District did not receive enough contribution or assessment amounts to fund its fiscal year 2013 debt service payments on the Series 2003 bonds. As a result, the District did not make its November 2012 or May 2013 debt service payments on the Series 2003 Bonds. Subsequent to year, the District also failed to make its November 2013 debt service interest payment on the Series 2003 bonds.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, 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 January 17, 2014, 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 and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Caru, Riggs & Ingram, L.L.C.*

Miramar Beach, Florida  
January 17, 2014

## Management's Discussion And Analysis

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Stevens Plantation Community Development District's financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2013. Please read it in conjunction with the District's financial statements, which begin on page 8.

### FINANCIAL HIGHLIGHTS

- At September 30, 2013, the liabilities of the District exceeded its assets by approximately \$9.9 million (deficit).
- The District did not receive enough contribution or assessment amounts to fund its fiscal year 2013 debt service payments on the Series 2003 bonds and did not make its November 2012 or May 2013 debt service payments on the Series 2003 Bonds. As a result, the District has recorded a debt service obligation of approximately \$10 million. Subsequent to year, the District also failed to make its November 2013 debt service interest payment on the Series 2003 bonds.

### USING THE ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities on pages 8 – 9 provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 10. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

#### ***Reporting the District as a Whole***

Our analysis of the District as a whole begins on page 4. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and the related changes during the current year. You can think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's assessment base and the condition of the District's infrastructure, to assess the overall health of the District.

#### ***Reporting the District's Most Significant Funds***

Our analysis of the District's major funds begins on page 5. The fund financial statements begin on page 10 and provide detailed information about the most significant funds – not the District as a

whole. Some funds are required to be established by State law and by bond covenants. All of the District's funds are governmental fund-types.

- *Governmental funds* – All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities and governmental funds in a reconciliation with the fund financial statements.

### THE DISTRICT AS A WHOLE

The following table reflects the condensed Statement of Net Position and is compared to the prior year. Certain prior year amounts have been modified to reflect changes associated with the adoption of new accounting standards in the current year.

<i>September 30,</i>	<b>2013</b>	<b>2012</b>	<b>Change</b>
<b>Assets</b>			
Current and other assets	\$ 3,746,603	\$ 2,576,726	\$ 1,169,877
Capital assets, net	3,155,459	3,350,518	(195,059)
<b>Total assets</b>	<b>\$ 6,902,062</b>	<b>\$ 5,927,244</b>	<b>\$ 974,818</b>
<b>Liabilities</b>			
Current liabilities	\$ 10,615,537	\$ 9,470,226	\$ 1,145,311
Other liabilities	6,145,000	6,275,000	(130,000)
<b>Total liabilities</b>	<b>16,760,537</b>	<b>15,745,226</b>	<b>1,015,311</b>
<b>Net position</b>			
Net investment in capital assets	3,155,459	3,350,518	(195,059)
Restricted for:			
Debt service	210,516	131,362	79,154
Capital projects	20,999	20,952	47
Unrestricted	(13,245,449)	(13,320,814)	75,365
<b>Total net position (deficit)</b>	<b>(9,858,475)</b>	<b>(9,817,982)</b>	<b>(40,493)</b>
<b>Total liabilities and net position</b>	<b>\$ 6,902,062</b>	<b>\$ 5,927,244</b>	<b>\$ 974,818</b>

For more detailed information, see the accompanying Statement of Net Position.

During the fiscal year ended September 30, 2013, total assets and liabilities increased by approximately \$975,000 and \$1 million, respectively. The increase in assets is primarily due to the collection of prepayment revenue and on-roll assessments that were retained in the cash and

investment balances at year end. The increase in liabilities is due to the accrual of debt service interest payments that had not been paid as of September 30, 2013.

The following schedule compares the Statement of Activities for the current and previous fiscal year. Certain prior year amounts have been modified to reflect changes associated with the adoption of new accounting standards in the current year.

<i>Year ended September 30,</i>	<b>2013</b>	<b>2012</b>	<b>Change</b>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 1,184,432	\$ 1,151,991	\$ 32,441
Grants and contributions	524,507	28,821	495,686
General revenues:			
Interest and other revenues	2,804	3,507	(703)
<b>Total revenues</b>	<b>1,711,743</b>	<b>1,184,319</b>	<b>527,424</b>
<b>Expenses:</b>			
General government	88,493	90,612	(2,119)
Maintenance and operations	642,642	633,763	8,879
Interest	1,021,101	1,025,657	(4,556)
<b>Total expenses</b>	<b>1,752,236</b>	<b>1,750,032</b>	<b>2,204</b>
Change in net assets	(40,493)	(565,713)	525,220
Net position (deficit), beginning	(9,817,982)	(9,252,269)	(565,713)
<b>Net position (deficit), ending</b>	<b>\$ (9,858,475)</b>	<b>\$ (9,817,982)</b>	<b>\$ (40,493)</b>

For more detailed information, see the accompanying Statement of Activities.

Revenues increased approximately \$527,000 from the prior year, while expenses did not significantly change. The increase in revenues is due to an increase in prepayment revenues. The overall result was a \$40,493 decrease in net position for fiscal year 2013.

### THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 10) reported a combined fund balance of approximately \$6.3 million (deficit), which is a decrease from last year's balance that totaled approximately \$2.5 million. Significant transactions are discussed below.

- The District did not receive enough contribution or assessment amounts to fund its fiscal year 2013 debt service payments on the Series 2003 bonds and did not make its November 2012 or May 2013 debt service payments on the Series 2003 Bonds. As a result, the District has recorded a debt service obligation of approximately \$10 million.

The overall decrease in fund balance for the year ended September 30, 2013 totaled approximately \$8.9 million.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### **Capital Assets**

At September 30, 2013, the District had approximately \$3.2 million invested in capital assets (net of accumulated depreciation). This amount represents a decrease of approximately \$195,000 from the fiscal year 2012 total.

A listing of capital assets for the current and prior year follows:

<i>September 30,</i>	<b>2013</b>	<b>2012</b>	<b>Change</b>
Capital assets being depreciated	\$ 4,711,834	\$ 4,711,834	\$ -
Accumulated depreciation	(1,556,375)	(1,361,316)	(195,059)
<b>Net capital assets</b>	<b>\$ 3,155,459</b>	<b>\$ 3,350,518</b>	<b>\$ (195,059)</b>

More information about the District's capital assets is presented in Note 6 to the financial statements.

### **Debt**

At September 30, 2013, the District had approximately \$15.3 million of bonds outstanding.

A listing of debt amounts outstanding for the current and prior year is as follows:

<i>September 30,</i>	<b>2013</b>	<b>2012</b>	<b>Change</b>
Series 2003A bonds	\$ 6,395,000	\$ 6,395,000	\$ -
Series 2003B bonds	8,895,000	8,895,000	-
	<b>\$ 15,290,000</b>	<b>\$ 15,290,000</b>	<b>\$ -</b>

More information about the District's long-term debt is presented in Note 7 to the financial statements.

## GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS

An Operating budget was established by the governing board for the District pursuant to the requirements of Florida Statutes. The budget to actual comparison for the General Fund, including the original budget and final adopted budget, is shown at page 24.

The District experienced favorable variances in revenues and expenditures as compared to the budget in the amount of \$13,937 and \$61,966, respectively. The variance in expenditures occurred primarily due to anticipated budgeted operating expenditures that were not incurred during the year.

## **FUTURE FINANCIAL FACTORS**

Stevens Plantation Community Development District is an independent special district that operates under the provisions of Chapter 190, Florida Statutes. The District operates under an elected Board of Supervisors, which establishes policy and sets assessment rates. Assessment rates for fiscal year 2014 were established to provide for the operations of the District as well as necessary debt service requirements.

The District has not made a determination of what remedies to pursue regarding the assessment delinquencies and resulting missed debt service payments. District management is considering its options.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances. If you have questions about this report or need additional financial information, contact the Stevens Plantation Community Development District's management company at 210 North University Drive, Suite 702, Coral Springs, Florida 33071.

# Basic Financial Statements

Stevens Plantation Community Development District

Statement of Net Position

<i>September 30,</i>	<b>2013</b>
	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 931,408
Investments	2,806,789
Interest receivable	774
Due from other governments	7,588
Prepaid expenses	44
Capital assets:	
Depreciable, net	3,155,459
<b>Total assets</b>	<b>6,902,062</b>
<b>Liabilities</b>	
Accounts payable	23,977
Accrued interest payable	1,446,560
Non-current liabilities:	
Due within one year	9,145,000
Due in more than one year	6,145,000
<b>Total liabilities</b>	<b>16,760,537</b>
<b>Net position</b>	
Net investment in capital assets	3,155,459
Restricted for:	
Debt service	210,516
Capital projects	20,999
Unrestricted	(13,245,449)
<b>Total net position (deficit)</b>	<b>\$ (9,858,475)</b>

See accompanying notes to financial statements.

Stevens Plantation Community Development District

Statement of Activities

Year ended September 30,

2013

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Primary government:						
Governmental activities:						
General government	\$ (88,493)	\$ 99,037	\$ -	\$ -	\$ 10,544	
Maintenance and operations	(642,642)	500,913	-	-	(141,729)	
Interest	(1,021,101)	584,482	524,460	47	87,888	
<b>Total governmental activities</b>	<b>\$ (1,752,236)</b>	<b>\$ 1,184,432</b>	<b>\$ 524,460</b>	<b>\$ 47</b>	<b>(43,297)</b>	

**General revenues**

Interest and other revenues	2,804
Change in net position	(40,493)
Net position (deficit) - beginning of the year, as restated	(9,817,982)
<b>Net position (deficit) - end of the year</b>	<b>\$ (9,858,475)</b>

See accompanying notes to financial statements.

Stevens Plantation Community Development District

Balance Sheet - Governmental Funds

September 30,

2013

	General	Debt Service	Non-major Fund	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 395,352	\$ 536,056	\$ -	\$ 931,408
Investments	205,034	2,580,756	20,999	2,806,789
Interest receivable	774	-	-	774
Due from other governments	3,844	3,744	-	7,588
Prepaid expenditures	44	-	-	44
<b>Total assets</b>	<b>\$ 605,048</b>	<b>\$ 3,120,556</b>	<b>\$ 20,999</b>	<b>\$ 3,746,603</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 23,977	\$ -	\$ -	\$ 23,977
Debt service obligation	-	10,036,101	-	10,036,101
<b>Total liabilities</b>	<b>23,977</b>	<b>10,036,101</b>	<b>-</b>	<b>10,060,078</b>
<b>Fund balances</b>				
Nonspendable	44	-	-	44
Restricted for:				
Capital projects	-	-	20,999	20,999
Assigned for capital reserves	135,264	-	-	135,264
Assigned for operating reserves	142,707	-	-	142,707
Unassigned	303,056	(6,915,545)	-	(6,612,489)
<b>Total fund balances (deficit)</b>	<b>581,071</b>	<b>(6,915,545)</b>	<b>20,999</b>	<b>(6,313,475)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 605,048</b>	<b>\$ 3,120,556</b>	<b>\$ 20,999</b>	<b>\$ 3,746,603</b>

See accompanying notes to financial statements.

Stevens Plantation Community Development District

Reconciliation of the Balance Sheet to the Statement of Net Position

<i>September 30,</i>	<b>2013</b>
Total fund balances, governmental funds	\$ (6,313,475)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund level statements.	3,155,459
Liabilities not due and payable from current resources, including accrued interest, are not reported in the fund level statements.	(6,700,459)
<b>Total net position (deficit) - governmental activities</b>	<b>\$ (9,858,475)</b>

See accompanying notes to financial statements.

Stevens Plantation Community Development District

Statement of Revenues, Expenditures and Changes in Fund Balances-  
Governmental Funds

Year ended September 30,

2013

	General	Debt Service	Non-major Fund	Total Governmental Funds
<b>Revenues</b>				
Assessments	\$ 599,950	\$ 584,482	\$ -	\$ 1,184,432
Prepayment revenue	-	508,983	-	508,983
Interest and other revenues	2,804	15,477	47	18,328
Total revenues	602,754	1,108,942	47	1,711,743
<b>Expenditures</b>				
Current:				
General government	79,268	9,225	-	88,493
Maintenance and operations	447,583	-	-	447,583
Debt service:				
Principal	-	9,015,000	-	9,015,000
Interest	-	1,021,101	-	1,021,101
Total expenditures	526,851	10,045,326	-	10,572,177
Net change in fund balances	75,903	(8,936,384)	47	(8,860,434)
Fund balances, beginning of year	505,168	2,020,839	20,952	2,546,959
Fund balances (deficit), end of year	\$ 581,071	\$ (6,915,545)	\$ 20,999	\$ (6,313,475)

See accompanying notes to financial statements.

Stevens Plantation Community Development District

Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities

<i>Year ended September 30,</i>	<b>2013</b>
Net change in fund balances - governmental funds	\$ (8,860,434)
Depreciation on capital assets is not recognized in the fund financial statements but is reported as an expense in the Statement of Activities	(195,059)
Governmental funds report scheduled principal payments on bonds when debt is due even though the amounts have not been paid, whereas these amounts do not affect the Statement of Activities.	9,015,000
<u>Change in net position of governmental activities</u>	<u>\$ (40,493)</u>

See accompanying notes to financial statements.

# Stevens Plantation Community Development District

## Notes to Financial Statements

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### **NOTE 1 – NATURE OF ORGANIZATION**

The Stevens Plantation Community Development District (a component unit of the City of St. Cloud, Florida) (the “District”) was created on August 21, 2003, under provisions of Chapter 190, Florida Statutes, by the City of St. Cloud (the “City”) Ordinance 2003-46. The Act provides, among other things, the power to manage basic services for community development, power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure. The District consists of 590 acres of land, which is not owned or carried as an asset by the District, and is located within the municipal boundaries of St. Cloud, Florida.

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

The District is governed by a Board of Supervisors (“Board”), which is comprised of five members. The Board consists of three City Council members from the City and two residents. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes. Further, the City owns a majority of the vacant and undeveloped land within the District through a dependent special district (Stevens Plantation Improvement Project Dependent Special District) (the “DSD”) created for the purpose of acquiring all lands for development (Note 7).

The Board has the final responsibility for:

1. Assessing and levying special 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.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth by Generally Accepted Accounting Principles (GAAP) as defined by the Governmental Accounting Standards Board (GASB) in statements No. 14 and No. 61. Based on the criteria identified, no potential component units were found.

The District itself is a component unit of the City of St. Cloud, Florida for financial reporting purposes and as such, the financial statements of the District will be included in the City’s comprehensive annual financial report.

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

The accounting policies of the District conform to GAAP as applicable to governments in accordance with those promulgated by GASB. The following is a summary of the more significant policies:

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Government-wide and Fund Financial Statements***

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

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by assessments, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The business-type activities are reported separately in government-wide financial statements; however, at September 30, 2013, the District did not have any significant business-type activities. Therefore, no business-type activities are reported. Assessments and other items not properly included as program revenues (i.e., charges to customers or applicants who purchase, use, or directly benefit from goods or services) are reported as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

***Measurement Focus, Basis of Accounting and Basis of 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 the related cash flows. Assessments are recognized as revenues in the year for which they are levied. Grants and other similar items are to be recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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. However, debt service expenditures are recorded only when payment is due.

Assessments, including debt service assessments along with operation and maintenance (“O&M”) assessments, are non-ad valorem special assessments imposed on all lands located within the District and benefited by the District’s activities. O&M assessments are levied and certified for collection by the District prior to the start of the fiscal year which begins October 1<sup>st</sup> and ends on September 30<sup>th</sup>. Debt service assessments are levied around the time of bond issuance and certified for collection each year. O&M special 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.

Assessments and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. However,

# Stevens Plantation Community Development District

## Notes to Financial Statements

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

as discussed in Note 8 to the financial statements, during 2013 certain assessment amounts were not recognized as revenue because the District is uncertain as to the timing of collection of these assessments. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in other funds.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for the annual payment of principal and interest on long-term debt.

For the year ended September 30, 2013, the District does not report any proprietary funds.

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. When committed, assigned, or unassigned resources are available for use in the governmental fund financial statements, it is the government's policy to use committed resources first, followed by assigned resources, the unassigned resources as needed.

#### ***Cash, Deposits and Investments***

The District maintains deposits with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. All Qualified Public Depositories must place with the Treasurer of the State of Florida securities in accordance with collateral requirements determined by the State's Chief Financial Officer. In the event of default by a Qualified Public Depository, the State Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories.

Under this method, all the District's deposits are fully insured or collateralized at the highest level of security as defined by GASB, Statement Number 40, *Deposits and Investment Disclosures (An Amendment of GASB, Statement Number 3)*.

The District is authorized to invest in financial instruments as established by Section 218.415, Florida Statutes. The authorized investments include among others, direct obligations of the United States Treasury; the Local Government Surplus Funds Trust as created by Section 218.405, Florida Statutes; SEC registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and interest-bearing time deposits or savings accounts in authorized financial institution. In addition, the District's Bond Indentures allow it to invest in highly rated commercial paper and interest-bearing time deposits with any bank insured by the Federal Deposit Insurance Corporation (FDIC).

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Capital Assets***

Capital assets, which include primarily infrastructure assets (e.g., roads, sidewalks, water management systems and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial/individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost and estimated historical cost if purchased or constructed. Donated 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 asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<b>Asset</b>	<b>Years</b>
Infrastructure	30
Improvements other than buildings	20

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

***Long-Term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective-interest or straight-line method. Bonds payable are reported net of these premiums or discounts. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current period expenses.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the 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 current period expenditures.

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any of this type of item at September 30, 2013.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any of this type of item at September 30, 2013.

***Fund Equity***

Net position in the government-wide financial statements represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents assets related to infrastructure and property, plant and equipment, net of any related debt. Restricted net position represents the assets restricted by the District's bond covenants.

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the District board through approval of resolutions. Assigned fund balance is a limitation imposed by a designee of the District board. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes.

***Budgets***

The District is required to establish a budgetary system and an approved annual budget. Annual budgets are legally adopted on a basis consistent with GAAP for the General Fund. Any revision to the budget must be approved by the District Board. The budgets are compared to actual expenditures. In instances where budget appropriations and estimated revenues have been revised during the year, budget data presented in the financial statements represent final authorization amounts.

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

- A. Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- B. A public hearing is conducted to obtain comments.
- C. Prior to October 1, the budget is legally adopted by the District Board.
- D. All significant budget changes must be approved by the District Board.
- E. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

# Stevens Plantation Community Development District

## Notes to Financial Statements

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

#### *Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### NOTE 3 – INVESTMENTS

All investments held at September 30, 2013 are reported at fair value, which approximates amortized cost. Values for most of the District's investments are based on quoted market prices or amounts determined by the issuer. The SBA Investment Pool Fund B is accounted for as a fluctuating NAV pool. Fair value is based on the District's account balance and a fair value factor provided by the State Board of Administration.

<i>September 30,</i>	<b>2013</b>	<b>Credit Risk</b>	<b>Maturities</b>
State Board of Administration Florida PRIME	<b>\$ 2,554,280</b>	S&P AAAm	44 days
State Board of Administration Florida Fund B	<b>47,475</b>	Not rated	4.04 years
Certificates of Deposit	<b>205,034</b>	n/a	4/8/14 & 10/5/14
<b>Total investments</b>	<b>\$ 2,806,789</b>		

*Custodial credit risk* – For an investment, custodial credit risk is the risk that the District will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The District has no formal policy for custodial risk. At September 30, 2013, none of investments listed above are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

*Interest rate risk* – The District does not have a formal policy for addressing interest rate risk; however, investments are made with discretion, to seek reasonable returns, preserve capital, and in general, avoid speculative investments. The District manages its exposure to declines in fair values from interest rate changes by reviewing the portfolio on an ongoing basis for changes in effective yield amounts.

*Concentration risk* – The District's investment policy requires diversification, but does not specify limits on types of investments.

### NOTE 4 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District maintains commercial insurance coverage to mitigate the risk of loss. Coverage may not extend to all situations. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in the previous three years.

# Stevens Plantation Community Development District

## Notes to Financial Statements

### NOTE 5 – MANAGEMENT COMPANY

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

### NOTE 6 – CAPITAL ASSETS

The following is a summary of changes in the capital assets for the year ended September 30, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance
<b>Capital assets being depreciated</b>				
Infrastructure	\$ 2,431,927	\$ -	\$ -	\$ 2,431,927
Improvements other than buildings	2,279,907	-	-	2,279,907
<b>Total capital assets being depreciated</b>	<b>4,711,834</b>	<b>-</b>	<b>-</b>	<b>4,711,834</b>
<b>Less accumulated depreciation for:</b>				
Infrastructure	566,636	81,064	-	647,700
Improvements other than buildings	794,680	113,995	-	908,675
<b>Total accumulated depreciation</b>	<b>1,361,316</b>	<b>195,059</b>	<b>-</b>	<b>1,556,375</b>
<b>Total capital assets being depreciated, net</b>	<b>\$ 3,350,518</b>	<b>\$ (195,059)</b>	<b>\$ -</b>	<b>\$ 3,155,459</b>

Depreciation expense totaling \$195,059 was allocated to maintenance and operations on the Statement of Activities.

### NOTE 7 – BONDS PAYABLE

**Special Assessment Revenue Bonds, Series 2003A** – The District previously issued \$7,055,000 in Special Assessment Revenue Bonds, Series 2003A for the purpose of funding certain capital projects within the boundaries of the District. The 2003A bonds bear interest at 7.1% and mature in May 2035. Interest is payable semi-annually on the first day of each May and November. The bonds are secured by a pledge of revenues derived from the collection of non-ad valorem special assessments.

The 2003A bonds are subject to mandatory redemption at par on a schedule of annual redemptions through May 2035, the maturity date. The District is required to redeem the bonds at par prior to schedule from the proceeds of any assessments prepaid or if certain events occur as outlined in the Bond Indenture. The bonds are subject to redemption at the option of the District at par at any time on or after May 1, 2014.

**NOTE 7 – BONDS PAYABLE (CONTINUED)**

**Special Assessment Revenue Bonds, Series 2003B** – The District previously issued \$20,150,000 in Special Assessment Revenue Bonds, Series 2003B for the purpose of funding certain capital projects within the boundaries of the District. The 2003B bonds bear interest at 6.375%. Principal on the 2003B bonds was scheduled to be paid in full on May 1, 2013. Interest is payable semi-annually on the first day of each May and November. The 2003B bonds are secured by a pledge of revenues derived from the collection of non-ad valorem special assessments on parity with the 2003A bonds described above.

The 2003B bonds are subject to mandatory redemption at par. The District is required to redeem the 2003B bonds at par prior to schedule from the proceeds of any assessments prepaid or if certain events occur as outlined in the Bond Indenture. The 2003B bonds are not subject to redemption prior to maturity at the option of the District.

The Bond Indenture has certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedure to be followed by the District on assessments to property owners. The District agreed to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. As discussed below, the District is not in compliance with certain requirements of the Bond Indenture as of September 30, 2013.

Although the bond trustee held sufficient funds to pay the November 1, 2012 debt service payment for the 2003A bonds and 2003B bonds, the bond trustee, in consultation with bondholders, withheld the November 1, 2012 debt service payment citing the uncertainty of receiving additional future debt service payments. The District billed, collected and remitted to the bond trustee sufficient assessment payments to fund the debt service payments with respect to the 2003A bonds due on May 1, 2013 and November 1, 2014; however, because sufficient funds were not received to pay the debt service on the 2003B bonds (which matured May 1, 2013), the bond trustee withheld payment to all bondholders on May 1, 2013 thus placing both the 2003A bonds and the 2003B bonds in a state of default. The District has had communications with the bond trustee regarding these matters. As a result, a debt service obligation of \$10,036,101 has been recorded on the accompanying Balance Sheet – Governmental Funds. A large portion of this debt service obligation was the result of the 2003 B Bonds becoming due in full during 2013.

Subsequent to year-end, the bond trustee also withheld payment of interest on the 2003A bonds on November 1, 2013 due to there being insufficient funds to pay the entire amount due with respect to both the 2003A bonds and the 2003B bonds.

The Bond Indenture requires that the District maintain adequate funds in the reserve account to meet the debt service reserve requirement as defined in the Indenture. The requirement has been met for the fiscal year ended September 30, 2013.

A separate escrow agreement among the District, the Stevens Plantation Improvement Project Dependent Special District (the “DSD”) and an escrow agent requires net proceeds from all land sales by the DSD of land within the District be allocated to the funding of certain accounts under the Bond Indenture and to the repayment of DSD debt at 50% each.

# Stevens Plantation Community Development District

## Notes to Financial Statements

### NOTE 7 – BONDS PAYABLE (CONTINUED)

Long-term liability activity for the year ended September 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities</i>					
Bonds Payable:					
Series 2003A	\$ 6,395,000	\$ -	\$ -	\$ 6,395,000	\$ 250,000
Series 2003B	8,895,000	-	-	8,895,000	8,895,000
	<b>\$ 15,290,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,290,000</b>	<b>\$ 9,145,000</b>

At September 30, 2013, the scheduled debt service requirements on long-term debt were as follows:

Year Ending September 30,	Principal	Interest	Total Debt Service
2014	\$ 9,145,000	\$ 1,711,420	\$ 10,856,420
2015	135,000	436,295	571,295
2016	150,000	426,710	576,710
2017	160,000	416,060	576,060
2018	170,000	404,700	574,700
2019 - 2023	1,060,000	1,823,280	2,883,280
2024 - 2028	1,510,000	1,387,695	2,897,695
2029 - 2033	2,155,000	766,800	2,921,800
2034 - 2035	805,000	76,680	881,680
	<b>\$ 15,290,000</b>	<b>\$ 7,449,640</b>	<b>\$ 22,739,640</b>

\* The amounts due in fiscal year 2014 above include all unpaid principal and interest amounts due as of May 1, 2013 and any scheduled principal and interest payments maturing during fiscal year 2014. The Series 2003B bonds matured on May 1, 2013. Interest on these bonds is reflected through September 30, 2013.

At the time of the Bond issuance, the DSD transferred \$2,520,000 to the District for the creation of the customer retention reserve funds and \$582,352 for the creation of the land sale reserve funds.

Amounts in the land sales reserve account will be used to make payments on the 2003 Bonds should the District find that its existing resources are insufficient. Amounts from the land sales reserve account will be used prior to any disbursements from the 2003 reserve accounts or the amounts in the customer retention reserve fund. The District has no remaining amounts in the land sales reserve account at September 30, 2013.

Customer retention reserve accounts, except as provided in the Indenture, will be used to make payments on the 2003 Bonds when the funds available to the District are insufficient. Amounts from the customer retention reserve accounts will be utilized to the extent that existing resources together with amounts from the land sales reserve fund are inadequate. The District has approximately \$325,000 of customer retention reserve amounts at September 30, 2013. No amounts were used in the current year to fund debt repayments.

**NOTE 8 – RELATED PARTY TRANSACTIONS**

As discussed in Note 1, the District is considered a component unit of the City of St. Cloud as three members of the City Council also serve on the District's Board of Supervisors. The City Council serves in the same capacity for the DSD. The DSD was created by the City on August 21, 2003, via City Ordinance 2003-47, pursuant to section 189.4041 of the Florida Statutes. The purpose of the DSD is to acquire land within a geographical boundary from the proceeds of Bonds for resale to developers in association with the District. The DSD is included in the government wide financial statements of the City. Further information on the DSD can be obtained from the City.

For the year ended September 30, 2013, the District reimbursed or paid the City approximately \$143,000 for electricity and the use of potable water. As of September 30, 2013, the District owed the City approximately \$4,900, which is included in Accounts payable on the accompanying Statement of Net Position and Balance Sheet – Governmental Funds.

In addition, the District directly assessed approximately \$6 million to the DSD for debt service costs on the Series 2003B bonds. All of the amounts directly assessed were unpaid at September 30, 2013 and as of the date of this report. Management is uncertain as to the timing of collection of these assessments and has currently recorded an allowance for doubtful accounts against the entire amount. Accordingly, management has reported assessments receivable and assessments revenue net of this allowance on the accompanying government wide and fund-level financial statements.

**NOTE 9 – CHANGE IN ACCOUNTING PRINCIPLES**

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement established standards for reporting deferred outflows of resources, deferred inflows of resources, and net position and creates a new format for the statement of financial position that requires deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement improves financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

The District made the decision to implement these standards effective October 1, 2012.

As a result of implementation, government-wide net position at the beginning of the year ended September 30, 2013 has been restated. GASB statement No. 65 requires, amount other things, that bond issue costs be shown as current-period outflows of resources (expenses) and not capitalized. Accordingly, prior year deferred charges have been removed from the current year financial statements. The restatement resulted in a decrease in the beginning net position of \$166,096.

Required Supplemental Information  
(Other Than MD&A)

Stevens Plantation Community Development District

Budget to Actual Comparison Schedule - General Fund

<i>Year ended September 30,</i>	<b>2013</b>		
	<b>Original and Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>Revenues</b>			
Assessments	\$ 586,567	\$ 599,950	\$ 13,383
Interest and other revenues	2,250	2,804	554
<b>Total revenues</b>	<b>588,817</b>	<b>602,754</b>	<b>13,937</b>
<b>Expenditures</b>			
General government	83,291	79,268	4,023
Maintenance and operations	505,526	447,583	57,943
<b>Total expenditures</b>	<b>588,817</b>	<b>526,851</b>	<b>61,966</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ 75,903</b>	<b>\$ 75,903</b>

**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  
Stevens Plantation Community Development District  
St. Cloud, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Stevens Plantation Community Development District (hereinafter referred to as the "District"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 17, 2014.

**Internal Control Over Financial Reporting**

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

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

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

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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described below.

- IC2013-01: The District is not in compliance with certain provisions of the 2003 Bond Indenture including those relating to 1) collecting assessments to provide payment of debt service and 2) making its semi-annual debt service principal and interest payments.

The District's response to the findings identified in our audit is described below. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

- The District has complied with the provisions of the Trust Indenture requiring it to levy and collect assessments for the 2003A project (and 2003A bonds) but despite having sufficient funds to pay the November 1, 2012 debt service payment for the 2003A bonds and 2003B bonds, the bond trustee, in consultation with bondholders, withheld the November 1, 2012 debt service payment citing the uncertainty of receiving additional future debt service payments. The District billed, collected and remitted to the bond trustee sufficient assessment payments to fund the debt service payments with respect to the 2003A bonds due on May 1, 2013 and November 1, 2014; however, because sufficient funds were not received to pay the debt service on the 2003B bonds (which matured May 1, 2013), the bond trustee withheld payment to all bondholders on May 1, 2013 thus placing both the 2003A bonds and the 2003B bonds in a state of default. Although the 2003B bonds are secured by assessments on property within the District, the repayment of the 2003B bonds was expected to be made from proceeds of land sales by the Stevens Plantation DSD and "Builder's Release Payments" made by builders as residences were built and sold to residents. Land sales in the District were affected by the economy and some builders did not make the Builders Release Payment as planned. The District has had communications with the bond trustee regarding these matters.

Additionally, the District's bond counsel has been working with counsel for the bond trustee and bondholders to address the situation. . Whether the bond trustee continues to withhold payment of the 2003A bonds until the 2003B bonds are paid in full is outside the control of the District.

### **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.

*Car, Riggs & Ingram, L.L.C.*

Miramar Beach, Florida  
January 17, 2014

## MANAGEMENT LETTER

To the Board of Supervisors  
Stevens Plantation Community Development District  
St. Cloud, Florida

We have audited the financial statements of Stevens Plantation Community Development District ("District") as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated January 17, 2014.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Florida Auditor General. 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 the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in this report, which is dated January 17, 2014, 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. There were no recommendations made in the preceding annual audit 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 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.

Section 10.554(1)(i)5., 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. The information required is disclosed in the notes to the financial statements.

Section 10.554(1)(i)6.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 the condition described in Section 218.503(1)(a), Florida Statutes. The District was unable to make its November 2012 or May 2013 debt service payments on the Series 2003 Bonds due to a lack of funds. Subsequent to year, the District also failed to make its November 2013 debt service interest payment on the Series 2003 bonds. We applied financial condition assessment procedures pursuant to Rule 10.566(7) and deteriorating financial conditions were noted. See the District's response on page 26.

Section 10.554(1)(i)6.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, 2013, 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, 2013. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)6.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. As discussed in Note 7 to the financial statements, the District did not receive enough contribution or assessment amounts to fund its fiscal year 2013 debt service payments on the Series 2003 bonds. As a result, the District was unable to make its November 2012 or May 2013 debt service payments on the Series 2003 Bonds. Subsequent to year, the District also failed to make its November 2013 debt service interest payment on the Series 2003 bonds. 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.

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

*Carly Riggs & Ingram, L.L.C.*

Miramar Beach, Florida  
January 17, 2014