

**Rolling Hills  
Community Development District**

**ANNUAL FINANCIAL REPORT**

**September 30, 2014**

**Rolling Hills Community Development District**

**ANNUAL FINANCIAL REPORT**

**Fiscal Year Ended September 30, 2014**

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## REPORT OF INDEPENDENT AUDITORS

To the Board of Supervisors  
Rolling Hills Community Development District  
Clay County, Florida

### Report on the Financial Statements

We have audited the accompanying basic financial statements of Rolling Hills Community Development District as of and for the year ended September 30, 2014, 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. 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  
Rolling Hills Community Development District

## Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, General Fund, Debt Service Funds, Capital Projects Fund and the Recreation Fund of Rolling Hills Community Development District as of September 30, 2014, and the respective changes in financial position and the budgetary comparison for the General Fund and Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Governmental accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by *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 in accordance with governmental auditing standards generally accepted in the United States of America, which consisted principally of inquires of management regarding 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 30, 2015 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 Rolling Hills 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 29, 2015

**Rolling Hills Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2014**

Management's discussion and analysis of Rolling Hills Community Development District's (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 is 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, culture recreation, physical environment, transportation 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.

**Rolling Hills Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2014**

**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, infrastructure, buildings and improvements other than buildings 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, 2014.

- ◆ The District's total assets exceeded total liabilities by \$879,699 (net position). Unrestricted net position for Governmental Activities were (\$5,134,979). Restricted for capital projects were \$3,928. Net investment in capital assets was \$6,010,750.
- ◆ Governmental activities revenues totaled \$1,101,773 while governmental activities expenses totaled \$1,534,660.

**Rolling Hills Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2014**

**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.

	<b>Governmental Activities</b>	
	<b>2014</b>	<b>2013</b>
Current assets	\$ 68,143	\$ 56,220
Restricted assets	591,508	273,526
Capital assets	<u>13,505,772</u>	<u>13,969,329</u>
Total Assets	<u>14,165,423</u>	<u>14,299,075</u>
Current liabilities	5,308,182	1,091,595
Non-current liabilities	<u>7,977,542</u>	<u>11,894,894</u>
Total Liabilities	<u>13,285,724</u>	<u>12,986,489</u>
Net investment in capital assets	6,010,750	2,150,256
Net position - restricted	3,928	19
Net position - unrestricted	<u>(5,134,979)</u>	<u>(837,689)</u>
Total Net Position	<u>\$ 879,699</u>	<u>\$ 1,312,586</u>

The decrease in capital assets is due to current year depreciation expense.

The increase in restricted assets is related to the district not paying certain debt service payments in the current year.

The decrease in non-current liabilities is the result of principal maturing on debt during the year.

**Rolling Hills Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2014**

**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.

**Financial Activity**

	<b>Governmental Activities</b>	
	<b>2014</b>	<b>2013</b>
Program Revenues		
Charges for services	\$ 943,140	\$ 575,459
Operating grants and contributions	148,322	147,486
General Revenues		
Investment earnings/miscellaneous	10,311	5,313
Total Revenues	<u>1,101,773</u>	<u>728,258</u>
Expenses		
General government	125,276	165,409
Culture and recreation	373,328	153,725
Physical environment	405,840	577,415
Interest on long-term debt	630,216	693,728
Total Expenses	<u>1,534,660</u>	<u>1,590,277</u>
Change in Net Position	(432,887)	(862,019)
Net Position - Beginning of Year	<u>1,312,586</u>	<u>2,174,605</u>
Net Position - End of Year	<u>\$ 879,699</u>	<u>\$ 1,312,586</u>

Total revenues increased due to an increase in special assessments collected.

Culture and recreation expenses increased as a result depreciation expense.

Physical environment expenses decrease due to improvement of the District's financial condition, allowing for the District to run at near full operation.

**Rolling Hills Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2014**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Capital Assets Activity**

The following schedule provides a summary of the District's capital assets activity as of September 30, 2014:

<u>Description</u>	<u>2014</u>	<u>2013</u>
Capital assets being depreciated:		
Improvements other than buildings	\$ 1,269,084	\$ 1,269,084
Infrastructure	9,650,172	9,650,172
Building	4,898,886	4,898,886
Accumulated depreciation	(2,312,370)	(1,848,813)
Total Capital Assets	<u>\$ 13,505,772</u>	<u>\$ 13,969,329</u>

The activity for the current year included \$463,557 in depreciation.

**General Fund Budgetary Highlights**

There were no amendments to the budget during the fiscal year.

**Debt Management**

Governmental Activities debt includes the following:

- ◆ In November 2006, the District issued \$26,135,000 Series 2006 Special Assessment Bonds. These bonds were issued to finance the cost of acquiring, constructing, installing, and equipping of certain improvements within the District. The District has not made \$3,750,000 in principal payments, which is reflected as matured bonds payable. The unmatured balance outstanding at September 30, 2014 was \$8,210,000.

**Economic Factors and Next Year's Budget**

There is no way to predict what significant effect the current economic condition and the matured bonds payable will have on the financial position or results of operations of the District in fiscal year 2015.

**Request for Information**

The financial report is designed to provide a general overview of Rolling Hills 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 Rolling Hills Community Development District, Governmental Management Services, LLC, 475 West Town Place, Suite 114, St. Augustine, FL 32092.

**Rolling Hills Community Development District**  
**STATEMENT OF NET POSITION**  
**September 30, 2014**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Current Assets	
Cash and equivalents	\$ 35,693
Due from developer	32,250
Other assets	200
Total Current Assets	<u>68,143</u>
Non Current Assets	
Restricted	
Investments	591,508
Capital assets, being depreciated	
Improvements other than building	1,269,084
Infrastructure	9,650,172
Building	4,898,886
Accumulated depreciation	<u>(2,312,370)</u>
Total Non Current Assets	<u>14,097,280</u>
Total Assets	<u><u>\$ 14,165,423</u></u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable and accrued expenses	\$ 50,230
Accrued interest	339,304
Matured interest payable	983,648
Matured bonds payable	3,750,000
Bonds payable	185,000
Total Current Liabilities	<u>5,308,182</u>
Non Current Liabilities	
Bonds payable, net	<u>7,977,542</u>
Total Liabilities	<u><u>13,285,724</u></u>
<b>NET POSITION</b>	
Net investment in capital assets	6,010,750
Restricted for capital projects	3,928
Unrestricted	<u>(5,134,979)</u>
Total Net Position	<u><u>\$ 879,699</u></u>

See accompanying notes.

**Rolling Hills Community Development District**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2014**

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position
<b>Primary Government</b>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities				
General government	\$ (125,276)	\$ 64,667	\$ 148,322	\$ 87,713
Culture and recreation	(373,328)	-	-	(373,328)
Physical environment	(405,840)	201,723	-	(204,117)
Interest on long-term debt	(630,216)	676,750	-	46,534
Total Governmental Activities	<u>\$ (1,534,660)</u>	<u>\$ 943,140</u>	<u>\$ 148,322</u>	<u>(443,198)</u>
<b>General Revenues</b>				
Investment earnings				88
Miscellaneous revenues				10,223
Total General Revenues				<u>10,311</u>
Change in Net Position				(432,887)
Net Position - October 1, 2013				1,312,586
Net Position - September 30, 2014				<u>\$ 879,699</u>

See accompanying notes.

**Rolling Hills Community Development District**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**September 30, 2014**

	<u>General</u>	<u>Recreation</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 35,693	\$ -	\$ -	\$ -	\$ 35,693
Other assets	200	-	-	-	200
Restricted investments	-	-	587,580	3,928	591,508
	<u>-</u>	<u>-</u>	<u>587,580</u>	<u>3,928</u>	<u>591,508</u>
Total Assets	<u>\$ 35,893</u>	<u>\$ -</u>	<u>\$ 587,580</u>	<u>\$ 3,928</u>	<u>\$ 627,401</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts payable and accrued expenses	\$ 50,230	\$ -	\$ -	\$ -	\$ 50,230
Matured interest payable	-	-	983,648	-	983,648
Matured bonds payable	-	-	3,750,000	-	3,750,000
	<u>50,230</u>	<u>-</u>	<u>4,733,648</u>	<u>-</u>	<u>4,783,878</u>
Fund Balances					
Restricted for debt service	-	-	(4,146,068)	-	(4,146,068)
Restricted for capital projects	-	-	-	3,928	3,928
Unassigned	(14,337)	-	-	-	(14,337)
	<u>(14,337)</u>	<u>-</u>	<u>(4,146,068)</u>	<u>3,928</u>	<u>(4,156,477)</u>
Total Liabilities and Fund Balances	<u>\$ 35,893</u>	<u>\$ -</u>	<u>\$ 587,580</u>	<u>\$ 3,928</u>	<u>\$ 627,401</u>

See accompanying notes.

**Rolling Hills Community Development District**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE**  
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**September 30, 2014**

Total Governmental Fund Balances	\$(4,156,477)
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets being depreciated (improvements other than building (\$1,269,084), infrastructure (\$9,650,172), building (\$4,898,886), net of accumulated depreciation (\$2,312,370)) used in governmental activities are not financial resources and; therefore, are not reported in the funds.	13,505,772
Assets recorded in the governmental fund financial statements that are not available to pay for current expenditures are unavailable revenue in the governmental funds.	32,250
Long-term liabilities, including bonds payable (\$8,210,000) less bond discount, net (\$47,458) are not due and payable in the current period and; therefore, are not reported in the funds.	(8,162,542)
Accrued interest expense is not a financial use and; therefore, is not reported in the funds.	<u>(339,304)</u>
Net Position of Governmental Activities	<u><u>\$ 879,699</u></u>

See accompanying notes.

**Rolling Hills Community Development District**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - GOVERNMENTAL FUNDS**  
**September 30, 2014**

	Governmental Funds				Total Governmental Funds
	General	Recreation	Debt Service	Capital Projects	
Revenues					
Special assessments	\$ 266,390	\$ -	\$ 676,750	\$ -	\$ 943,140
Developer contributions	116,072	-	-	-	116,072
Investment earnings	-	-	87	1	88
Miscellaneous	6,323	-	-	3,900	10,223
Total Revenues	<u>388,785</u>	<u>-</u>	<u>676,837</u>	<u>3,901</u>	<u>1,069,523</u>
Expenditures					
Current					
General government	101,177	-	-	24,099	125,276
Physical environmen	131,349	-	-	-	131,349
Culture and recreator	184,262	-	-	-	184,262
Debt service					
Principal	-	-	3,900,000	-	3,900,000
Interest	-	-	552,691	-	552,691
Other	-	-	5,740	-	5,740
Total Expenditures	<u>416,788</u>	<u>-</u>	<u>4,458,431</u>	<u>24,099</u>	<u>4,899,318</u>
Excess of revenue over/(under) expenditures	(28,003)	-	(3,781,594)	(20,198)	(3,829,795)
Other Financing Sources/(Uses)					
Transfers-in	7,128	-	16,000	24,107	47,235
Transfers-out	-	(7,128)	(40,107)	-	(47,235)
Total Other Financing Sources/(Uses)	<u>7,128</u>	<u>(7,128)</u>	<u>(24,107)</u>	<u>24,107</u>	<u>-</u>
Net change in fund balances:	(20,875)	(7,128)	(3,805,701)	3,909	(3,829,795)
Fund Balances - October 1, 2013:	<u>6,538</u>	<u>7,128</u>	<u>(340,367)</u>	<u>19</u>	<u>(326,682)</u>
Fund Balances - September 30, 2014	<u>\$ (14,337)</u>	<u>\$ -</u>	<u>\$ (4,146,068)</u>	<u>\$ 3,928</u>	<u>\$ (4,156,477)</u>

See accompanying notes.

**Rolling Hills 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, 2014**

Net Change in Fund Balances - Total Governmental Funds	\$ (3,829,795)
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 of depreciation.	(463,557)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental fund financial statements.	32,250
Amortization expense of a bond discount does not require the use of current resources and therefore is not reported in the governmental funds. This is the amount of amortization expense for the current period.	(2,648)
Repayments of bond principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	3,900,000
In the statement of activities, interest is accrued on outstanding bonds; whereas in governmental funds, interest expenditures are reported when due. This is the change in accrued interest.	<u>(69,137)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (432,887)</u></u>

See accompanying notes.

**Rolling Hills Community Development District**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended September 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Special assessments	\$261,947	\$261,947	\$266,390	\$ 4,443
Developer contributions	177,033	177,033	116,072	(60,961)
Miscellaneous revenues	2,500	2,500	6,323	3,823
Total Revenues	<u>441,480</u>	<u>441,480</u>	<u>388,785</u>	<u>(52,695)</u>
Expenditures				
Current				
General government	106,920	106,920	101,177	5,743
Physical environment	110,069	110,069	131,349	(21,280)
Culture and recreation	209,491	209,491	184,262	25,229
Capital outlay	15,000	15,000	-	15,000
Total Expenditures	<u>441,480</u>	<u>441,480</u>	<u>416,788</u>	<u>24,692</u>
Excess of revenues over/(under) expenditures	-	-	(28,003)	(28,003)
Other Financing Sources/(Uses)				
Transfers-in	-	-	7,128	7,128
Net change in fund balances	-	-	(20,875)	(20,875)
Fund Balances - October 1, 2013	<u>-</u>	<u>-</u>	<u>6,538</u>	<u>6,538</u>
Fund Balances - September 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,337)</u>	<u>\$ (14,337)</u>

See accompanying notes.

**Rolling Hills Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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

The financial statements of 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 created on March 14, 2006, pursuant to the Uniform Community Development District Act of 1980, Chapter 190, Florida Statutes. 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 authorized to issue bonds for the purpose, among others, of financing, funding, planning, establishing, acquiring, constructing or re-constructing, enlarging or extending, equipping, operating and maintaining water management, bridges or culverts, district roads, landscaping, street lights and other basic infrastructure projects within or without the boundaries of the Rolling Hills Community Development District. The District is governed by a five-member Board of Supervisors who were elected by landowners of the District for two and four year terms. The District operates within the criteria established by Chapter 190.

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

Based upon the application of the above-mentioned criteria as set forth in Governmental Accounting Standards, 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

**Rolling Hills Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

**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 all 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. 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.

**Rolling Hills Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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

**2. Measurement Focus and Basis of Accounting (Continued)**

**b. Fund Financial Statements (Continued)**

**Governmental Funds**

When both restricted and unrestricted resources are combined in a fund, qualified expenses are considered to be paid first from restricted resources, and then from unrestricted resources. 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 are 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.

The District 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 classifications include non-spendable, restricted, committed, assigned and unassigned.

**Rolling Hills Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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

**2. Measurement Focus and Basis of Accounting (Continued)**

**b. Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

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 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 an 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.

**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.

Recreation Fund - Accounts for revenues and expenditures related to the recreation facilities of the District.

**Rolling Hills Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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

**3. Basis of Presentation (Continued)**

**a. Governmental Major Funds (Continued)**

Debt Service Fund - Accounts for debt service requirements to retire the capital improvement bonds which were used to finance the construction of District infrastructure improvements.

Capital Projects Fund - Accounts for the financial resources used for the acquisition, construction, installation and equipping of infrastructure improvements.

**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 general obligation 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**

Chapter 280, 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.

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.

**Rolling Hills Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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

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

**b. Restricted Assets**

Certain net position of the District will be classified as restricted 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 net position, 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 improvements, improvements other than buildings, and equipment are reported in governmental activities.

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 two years. 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.

Depreciation of capital assets is computed and recorded by utilizing the straight-line method over the assets' estimated useful lives ranging from 5 to 40 years.

**d. Bond Discounts and Issuance Costs**

Bond discounts and legal fees associated with the issuance of bonds are amortized over the life of the bonds using the effective interest method of accounting.

**e. Net Position**

Net position represents the difference between assets and liabilities and is reported in three categories. Net investment in capital assets, represent capital assets, net of accumulated depreciation and any outstanding debt related to those assets. Net position is reported as restricted when there are legal limitations imposed on their use by legislation, or external restrictions imposed by other governments, creditors, or grantors. Unrestricted net position is assets that do not meet definitions of the classifications previously described.

**Rolling Hills Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

**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 (\$(4,156,447)) differs from “net position” of governmental activities (\$879,699) 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.

**Capital related items**

When capital assets (improvements 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.

Improvements other than buildings	\$ 1,269,084
Infrastructure	9,650,172
Building	4,898,886
Accumulated depreciation	<u>(2,312,370)</u>
Total	<u>\$ 13,505,772</u>

**Receivables**

Certain assets in the current year were not deemed to be available and therefore, are not reported at the fund level.

Due from developer	<u>\$ 32,250</u>
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**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, 2014 were:

Bonds payable	\$ (8,210,000)
Bond discount, net	47,458
Total	<u>\$ (8,162,542)</u>

**Rolling Hills Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

**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)**

**Accrued interest**

Accrued liabilities in the Statement of Net Position differ from the accrued interest on bonds, which are not reported on the fund level because they do not use current resources.

Accrued interest	\$ <u>(339,304)</u>
------------------	---------------------

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

The “net change in fund balances” for government funds (\$(3,289,795)) differs from the “change in net position” for governmental activities (\$(432,887)) 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 expense. As a result, fund balances decrease by the amount of financial resources expended, whereas net position decreases by the amount that depreciation expense exceeded capital outlay.

Depreciation expense	\$ <u>(463,557)</u>
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**Developer Contribution**

Developer contributions received after sixty days are not deemed to be current resources and therefore are not reported in the governmental funds.

Developer contributions	\$ <u>32,250</u>
-------------------------	------------------

**Rolling Hills Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

**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 (Continued)**

**Long-term debt transactions**

Interest is accrued on long-term debt at the government-wide level, whereas at the fund level interest expenditures are reported when due. This is the change in accrued interest in the current year.

Net decrease in accrued interest payable	\$ <u>(69,137)</u>
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Repayment of long-term liabilities are reported as expenditures in the governmental fund statement but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities.

Debt principal payments	\$ <u>3,900,000</u>
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Amortization expense of the bond discount does not require the use of current resources and therefore is not reported in the governmental funds.

Amortization of bond discount	\$ <u>(2,648)</u>
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**NOTE C – CASH AND DEPOSITS**

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, 2014, the District's bank balance \$38,560 and the carrying value was \$35,693. 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.

**Rolling Hills Community Development District  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2014**

**NOTE C – CASH AND DEPOSITS (CONTINUED)**

As of September 30, 2014, the District had the following investments and maturities:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Cost</u>
US Bank Money Market Account Managed	N/A	<u>\$ 591,509</u>	<u>\$ 591,509</u>

Interest Rate Risk

The formal investment policy of the District conforms with State statutory requirements and bond indentures for investment maturities as a means of managing its exposure to increasing interest rates. Direct obligations of the United States Treasury are held in a money market fund that allows daily demand withdrawals at par in the event of a decrease in interest rates.

Credit Risk

The District's investments in treasury funds, commercial paper, and government loans are limited by state statutory requirements and bond compliance. As of September 30, 2014, the District's investments in the First American Government Obligation Fund was rated A-1+ by Standard & Poor's.

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one fund. The District's only investments are in the First American Government Obligation Fund. The types of deposits and investments and their level of risk exposure as of September 30, 2014 were typical of these items during the fiscal year then ended. The District considers any decline in fair value to be temporary.

**NOTE D – SPECIAL ASSESSMENT REVENUES**

Assessments are non-ad valorem assessments on benefitted property within the District. Operating and Maintenance Assessments are based upon adopted budget and levied annually. Debt Service Assessments are levied when bonds are issued and collected annually. The District may collect assessments directly or utilize the uniform method of collection (Chapter 197.3632, Florida Statutes). Direct collected assessments are due as determined by annual assessment resolution adopted by the Board of Supervisors. Assessments collected under the uniform method are mailed by County Tax Collector on November 1 and due on or before March 31 of each year. Property owners may prepay a portion or all of the Debt Service Assessments on their property subject to various provisions in the bond documents.

**Rolling Hills Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

**NOTE D – SPECIAL ASSESSMENT REVENUES (CONTINUED)**

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

Since the original developer failed to pay their 2011 and 2012 direct assessments, the District failed to make the May 2011 and May 2012 debt service payments on the Series 2006A Bond. The District paid these principal payments in 2013, however, the May 2013 and 2014 payments were not made because of the Forbearance Agreement.

**NOTE E – CAPITAL ASSETS**

Capital Asset activity for the year ended September 30, 2014 was as follows:

	Balance 10/1/2013	Additions	Deletions	Balance 09/30/14
Capital Assets, Being Depreciated:				
Improvements other than buildings	\$ 1,269,084	\$ -	\$ -	\$ 1,269,084
Infrastructure	9,650,172	-	-	9,650,172
Building	4,898,886	-	-	4,898,886
Total Capital Assets, Being Depreciated	<u>15,818,142</u>	<u>-</u>	<u>-</u>	<u>15,818,142</u>
Less accumulated depreciation for:				
Improvements other than buildings	(248,395)	(63,454)	-	(311,849)
Infrastructure	(1,097,968)	(274,491)	-	(1,372,459)
Building	(502,450)	(125,612)	-	(628,062)
Total Accumulated Depreciation	<u>(1,848,813)</u>	<u>(463,557)</u>	<u>-</u>	<u>(2,312,370)</u>
Total Capital Assets Depreciated, Net	<u>13,969,329</u>	<u>(463,557)</u>	<u>-</u>	<u>13,505,772</u>
Governmental Activities Capital Assets	<u>\$ 13,969,329</u>	<u>\$ (463,557)</u>	<u>\$ -</u>	<u>\$ 13,505,772</u>

Depreciation expense of \$463,557 was allocated to the physical environment (\$274,491) and cultural recreation (\$189,066).

**Rolling Hills Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

**NOTE F – LONG-TERM DEBT**

The following is a summary of debt activity for the District for the year ended September 30, 2014:

	Beginning Balance 10/1/2012	Additions	Deletions	Ending Balance 9/30/2013	Due Within One Year
<u>Bonds Payable</u>					
Series 2006	\$ 12,110,000	\$ -	\$ (3,900,000)	\$ 8,210,000	\$ 185,000
Series 2006 discount	(50,106)	-	2,648	(47,458)	-
	<u>\$ 12,059,894</u>	<u>\$ -</u>	<u>\$ (3,897,352)</u>	<u>\$ 8,162,542</u>	<u>\$ 185,000</u>

District debt is comprised of the following at September 30, 2014:

**Special Assessment Refunding Bond**

\$14,805,000 Series 2006A Capital Improvement Revenue Bonds due in annual installments through May 1, 2037, a fixed interest rate of 5.45%, payable May 1 and November 1. \$ 8,210,000

Series 2006 discount, net (47,458)  
 Total long-term debt \$ 8,162,542

The annual requirements to amortize the principal and interest of bonded debt outstanding as of September 30, 2014 are as follows:

Year Ending September 30,	Principal	Interest	Total
2015	\$ 185,000	\$ 447,445	\$ 632,445
2016	195,000	437,363	632,363
2017	205,000	426,735	631,735
2018	215,000	415,563	630,563
2019	230,000	403,845	633,845
2020-2024	1,350,000	1,817,575	3,167,575
2025-2029	1,775,000	1,406,100	3,181,100
2030-2034	2,325,000	865,188	3,190,188
2035-2037	1,730,000	192,113	1,922,113
Totals	<u>\$ 8,210,000</u>	<u>\$ 6,411,927</u>	<u>\$ 14,621,927</u>

**Rolling Hills Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

**NOTE F – LONG-TERM DEBT (CONTINUED)**

Significant Bond Provisions

The Series 2006 Bonds are subject to redemption at the option of the District prior to their maturity, in whole or in part, at a redemption price set in the Bond indenture. The Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond indenture.

The Bond Indenture established certain amounts be maintained in a reserve account. In addition, the Bond Indenture has certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments and collect such assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements

Depository Funds

The bond resolution establishes certain funds and determines the order in which revenues are to be deposited into these funds. A description of the significant funds, including their purposes, is as follows:

Reserve Fund - The 2006 Reserve Account is funded from the proceeds of the Series 2006 Bonds in an amount established in the Trust Indenture. Monies held in the reserve and prepayment accounts will be used only for the purposes established in the Trust Indenture.

Special Assessment Refunding Bonds		
	Reserve Balance	Reserve Requirement
Series 2006A	\$ 170,879	\$ 580,139
Series 2006B	40,139	87,381
	\$ 211,018	\$ 667,520

**NOTE G – 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 for which the District carries commercial insurance.

**Rolling Hills Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

**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, 2014, the developer held the majority of the assessable property located within District boundaries. The Developer pays special assessments on land it owns and has agreed to partially fund operations of the District where special assessments are not sufficient. The amount contributed by the developer for District operations and debt service during the year ended September 30, 2014 was \$148,322.

A majority of the Board of Supervisors are employed by the developer or its affiliates at September 30, 2014.

**NOTE I – FORBEARANCE AGREEMENT**

The Original Developer and Common Bond Capital Partners, LLC ("New Developer") entered into a Real Estate Purchase Agreement dated November 19, 2012 to purchase all of the property's that failed to pay their maintenance and debt service assessments. On February 1, 2013, the District, New Developer and Trustee entered into a Forbearance Agreement ("Agreement") that deferred the collection and enforcement of delinquent debt service assessments on their property until February 1, 2015 subject to various provisions of the agreement.

**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  
Rolling Hills Community Development District  
Clay County, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America the financial statements of Rolling Hills Community Development District(the District) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise Rolling Hills Community Development District's basic financial statements, and have issued our report thereon dated June 30, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered Rolling Hills Community Development District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rolling Hills Community Development District's internal control. Accordingly, we do not express an opinion on the effectiveness of Rolling Hills Community Development 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 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 deficiencies, significant deficiencies or material weaknesses. 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.

Board of Supervisors  
Rolling Hills Community Development District

### **Compliance and Other Matters**

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

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

June 29, 2015



# Berger, Toombs, Elam, Gaines & Frank

Certified Public Accountants PL  
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## MANAGEMENT LETTER

To the Board of Supervisors  
Rolling Hills Community Development District  
Clay County, Florida

### Report on the Financial Statements

We have audited the financial statements of the Rolling Hills Community Development District as of and for the year ended September 30, 2014, and have issued our report thereon dated June 29, 2015.

### 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*. Disclosures in that report, which is dated June 30, 2015, 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. The following recommendations were made in the preceding audit report.

### Findings and Recommendations

#### 2011-01/2012-01 Debt Payments

Finding – The District did not make its required debt service payments. .

Recommendation – The District should make the necessary arrangements to ensure funds are available to make debt service payments.

Management Response – The District is working directly with the Trustee and Bondholders to resolve all financial issues related to the non-payment of assessments which resulted in the foreclosure of property, insufficient funds to meet debt service requirements, fund balance deficits and failure to meet Debt Service Reserve Fund requirements.

Current Status: This finding has not been corrected as of September 30, 2014.

To the Board of Supervisors  
Rolling Hills Community Development District

### 2013-01 Budget

*Finding:* Total actual expenditures exceeded the total approved budget of the General Fund in violation of Sections 189.418(3) and 190.008, Florida Statutes.

*Recommendation:* The Board should monitor budget versus actual expenditures during the year and amend the budget if required.

*Response:* Management will monitor the budget in the future to insure actual expenditures don't exceed budgeted amounts.

Current Status: This finding has been corrected as of September 30, 2014.

### **Financial Condition**

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not Rolling Hills 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 Rolling Hills Community Development District did meet one of the conditions described in Section 218.503(1), Florida Statutes. See Prior Audit Findings above for additional information.

As required by the Rules of the Auditor General (Section 10.554(1)(i)2.) the scope of our audit included 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 Rolling Hills Community Development District complied with Section 218.415, Florida Statutes.

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 Rolling Hills 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., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the Rolling Hills Community Development District for the fiscal year ended September 30, 2014, 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, 2014. In connection with our audit, we determined that these two reports were in agreement.

To the Board of Supervisors  
Rolling Hills Community Development District

### **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 noted the findings noted in the prior year findings as well as the following finding.

#### 2014-01 Reserve Requirement

Finding – The Debt Service Reserve Requirement was not met at fiscal year end.

Recommendation – The District should make the necessary arrangements to ensure funds are available to make debt service payments.

Management Response – The District is working directly with the Trustee and Bondholders to resolve all financial issues related to the non-payment of assessments which resulted in the foreclosure of property, insufficient funds to meet debt service requirements, fund balance deficits and failure to meet Debt Service Reserve Fund requirement

### **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 29, 2015



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

To the Board of Commissioners  
Rolling Hills Community Development District  
Clay County, Florida

We have examined Rolling Hills Community Development District's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2014. Management is responsible for Rolling Hills Community Development District's compliance with those requirements. Our responsibility is to express an opinion on Rolling Hills 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 Rolling Hills 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 Rolling Hills Community Development District's compliance with the specified requirements.

In our opinion, Rolling Hills Community Development District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2014.

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