

Tern Bay Community Development District

ANNUAL FINANCIAL REPORT

September 30, 2015

Tern Bay Community Development District

ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2015

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REPORT OF INDEPENDENT AUDITORS

To the Board of Supervisors
Tern Bay Community Development District
Charlotte County, Florida

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

To the Board of Supervisors
Tern Bay Community Development District

Opinion

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated May 3, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tern Bay 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

May 3, 2016

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

Financial Highlights

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

- ◆ The District's total liabilities exceeded total assets by \$(33,920,167) (net position).
- ◆ Governmental activities revenues totaled \$104,409 while governmental activities expenses totaled \$4,376,251.

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District

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

Net Position

	Governmental Activities	
	2015	2014
Current assets	\$ 127,395	\$ 1,884,098
Restricted assets	1,423,703	-
Capital assets	45,419,499	45,419,499
Total Assets	46,970,597	47,303,597
Current liabilities	52,770,764	48,126,922
Non-current liabilities	28,120,000	28,825,000
Total Liabilities	80,890,764	76,951,922 *
Net position - unrestricted	(33,920,167)	(29,648,325)
Total Net Position	\$ (33,920,167)	\$ (29,648,325) *

* Restated.

The decrease in non-current liabilities was primarily related to current year principal payments.

The decrease in current assets and increase in restricted assets was related to a reclassification in the current year.

The increase in current liabilities is related to the nonpayment of the current year debt service requirements.

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District (Continued)

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

Financial Activity

	Governmental Activities	
	2015	2014
Program Revenues		
Charges for services	\$ 104,095	\$ 132,902
General Revenues		
Investment earnings	314	376
Total Revenues	<u>104,409</u>	<u>133,278</u>
Expenses		
General government	254,052	320,289
Physical environment	29,160	170,032
Culture and recreation	159,567	-
Interest on long-term debt	3,933,472	4,499,830 *
Total Expenses	<u>4,376,251</u>	<u>4,990,151</u>
Change in Net Position	(4,271,842)	(4,856,873)
Net Position - Beginning of Year	<u>(29,648,325)</u>	<u>(24,791,452) *</u>
Net Position - End of Year	<u>\$ (33,920,167)</u>	<u>\$ (29,648,325) *</u>

* Restated.

The increase in interest is related to the nonpayment of the scheduled debt service payments.

The decrease in physical environment expenses is related to the reclassification of expenses.

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Capital Assets Activity

The following schedule provides a summary of the District's capital assets activity as of September 30, 2015:

<u>Description</u>	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Land	\$ 7,428,992	\$ 7,428,992
Construction in progress	37,990,507	37,990,507
Total Capital Assets	<u>\$45,419,499</u>	<u>\$45,419,499</u>

There was no capital asset activity in the current year.

General Fund Budgetary Highlights

The budget did not exceed governmental expenditures because landscaping costs and road repair expense were less than expected.

There were no amendments to the September 30, 2015 budget.

Debt Management

Governmental Activities debt includes the following:

- ◆ In May 2005, the District issued \$33,280,000 Series 200A-B Special Assessment Bonds. The Bonds were issued to finance the acquisition and construction of certain improvements within the District. The unmatured balance outstanding at September 30, 2015 is \$28,825,000.

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Economic Factors and Next Year's Budget

Tern Bay Community Development District is an independent special district that is established pursuant to and governed by the provisions of Chapter 190, Florida Statutes. The District is governed by an elected Board of Supervisors which establishes policy and sets assessment rates. Assessment rates for fiscal year 2015 were established to provide for the operations of the District. Approximately 97% of the assessments levied by the District each year remain uncollected with no other revenue sources available to the District.

From 2008 onward, the District did not receive a majority of assessments attached to the land formerly owned by the Developer. As a result, the District has been unable to make any debt service payments since November 2008.

Request for Information

The financial report is designed to provide a general overview of the District's finances. If you have questions about this report or need addition financial information, contact the Tern Bay Community Development District's management company, J P Ward and Associates, LLC, at 2041 Northeast 6th Terrace, Wilton Manors, Florida 33305, (954-658-4900), Jim Ward jimward@jpwardassociates.com.

Tern Bay Community Development District
STATEMENT OF NET POSITION
September 30, 2015

	Governmental Activities	Component Unit
ASSETS		
Current Assets:		
Cash	\$ 127,395	-
Total Current Assets	127,395	-
Non-current Assets:		
Restricted assets:		
Investments	1,423,703	-
Capital assets not being depreciated:		
Land	7,428,992	-
Land held for Sale	-	104,803,704
Construction in progress	37,990,507	-
Total Non-Current Assets	46,843,202	104,803,704
Total Assets	46,970,597	104,803,704
Total Assets	46,970,597	104,803,704
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	469,866	-
Accrued interest payable	4,971,396	-
Matured bonds payable	27,630,000	-
Matured interest payable	18,994,502	-
Bonds payable	705,000	-
Total Current Liabilities	52,770,764	-
Non-current liabilities:		
Bonds payable	28,120,000	-
Total Liabilities	80,890,764	-
NET POSITION		
Unrestricted	(33,920,167)	-
Reserved for component unit	-	104,803,704
Total Net Position	\$ (33,920,167)	\$ 104,803,704

See accompanying notes to financial statements.

Tern Bay Community Development District
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenues and Changes in Net Position Governmental Activities	Component Unit
Governmental Activities				
General government	\$ (254,052)	\$ 37,698	\$ (216,354)	\$ -
Physical environment	(29,160)	6,576	(22,584)	-
Culture and recreation	(159,567)	59,821	(99,746)	-
Interest on long-term debt	(3,933,472)	-	(3,933,472)	-
Total Governmental Activities	<u>\$ (4,376,251)</u>	<u>\$ 104,095</u>	<u>(4,272,156)</u>	<u>-</u>
Component unit:				
Tern Bay CDD Acquisitions, LLC	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>
General revenues:				
Investment earnings			314	586,379
Change in Net Position			(4,271,842)	586,379
Net Position - October 1, 2014			(29,648,325)	104,217,325
Net Position - September 30, 2015			<u>\$ (33,920,167)</u>	<u>\$ 104,803,704</u>

See accompanying notes to financial statements.

**Tern Bay Community Development District
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2015**

ASSETS	General Fund	Debt Service	Capital Projects	Total Governmental Funds
Cash	\$ 127,395	\$ -	\$ -	\$ 127,395
Investments	-	-	1,337,575	1,337,575
Due from other funds	-	146,950	3,551,167	3,698,117
Investments, at fair value	-	86,128	-	86,128
Total Assets	<u>\$ 127,395</u>	<u>\$ 233,078</u>	<u>\$ 4,888,742</u>	<u>\$ 5,249,215</u>
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued expenses	\$ 21,252	\$ -	\$ 448,614	\$ 469,866
Due to other funds	3,698,117	-	-	3,698,117
Matured interest payable	-	18,994,502	-	18,994,502
Matured bonds payable	-	27,630,000	-	27,630,000
Total Liabilities	<u>3,719,369</u>	<u>46,624,502</u>	<u>448,614</u>	<u>50,792,485</u>
 FUND BALANCES				
Restricted for capital project	-	-	4,440,128	4,440,128
Assigned:				
Unassigned	<u>(3,591,974)</u>	<u>(46,391,424)</u>	<u>-</u>	<u>(49,983,398)</u>
Total Fund Balances	<u>(3,591,974)</u>	<u>(46,391,424)</u>	<u>4,440,128</u>	<u>(45,543,270)</u>
 Total Liabilities and Fund Balances	 <u>\$ 127,395</u>	 <u>\$ 233,078</u>	 <u>\$ 4,888,742</u>	 <u>\$ 5,249,215</u>

See accompanying notes to financial statements.

**Tern Bay Community Development District
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
September 30, 2015**

Total Governmental Fund Balances	\$ (45,543,270)
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets not being depreciated, land (\$7,428,992) construction in progress (\$37,990,507) used in governmental activities are not financial resources and therefore, are not reported at the fund statement level.	45,419,499
Long-term liabilities, including bonds payable (\$(28,825,000)) and due to developer (\$(54,170)) are not due and payable in the current period and therefore, are not reported at the fund statement level.	(28,825,000)
Accrued interest expense for long-term debt is not a financial use and; therefore, is not reported at the funds statement level.	<u>(4,971,396)</u>
Net Position of Governmental Activities	<u><u>\$ (33,920,167)</u></u>

See accompanying notes to financial statements.

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

	General	Debt Service	Capital Projects	Total Governmental Funds
Revenues				
Special assessments	\$ 18,086	\$ 109,910	\$ -	\$ 127,996
Investment earnings	-	17	297	314
Total Revenues	<u>18,086</u>	<u>109,927</u>	<u>297</u>	<u>128,310</u>
Expenditures				
Current				
General government	254,052	-	-	254,052
Public Safety	29,160	-	-	29,160
Physical environment	159,567	-	-	159,567
Debt service				
Principal	-	24,300,000	-	24,300,000
Interest	-	2,792,463	-	2,792,463
Total Expenditures	<u>442,779</u>	<u>27,092,463</u>	<u>-</u>	<u>27,535,242</u>
Net change in fund balances	(424,693)	(26,982,536)	297	(27,406,932)
Fund Balances - October 1, 2014	<u>\$(3,167,281)</u>	<u>(19,408,888)</u>	<u>4,439,831</u>	<u>(18,136,338)</u>
Fund Balances - September 30, 2015	<u><u>\$ (3,591,974)</u></u>	<u><u>\$ (46,391,424)</u></u>	<u><u>\$4,440,128</u></u>	<u><u>\$(45,543,270)</u></u>

See accompanying notes to financial statements.

**Tern Bay Community Development District
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED September 30, 2015**

Net Change in Fund Balances - Total Governmental Funds	\$ (27,406,932)
Amounts reported for governmental activities in the Statement of Activities are different because:	
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.	24,300,000
The deferred inflows of resources from prior year receivables is recognized as a decrease of revenue in the Statement of Activities, but is income for the governmental funds.	(23,901)
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 from the prior year.	<u>(1,141,009)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (4,271,842)</u></u>

See accompanying notes to financial statements.

**Tern Bay Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
GENERAL FUND
FOR THE YEAR ENDED September 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Special assessments	\$ 535,075	\$ 535,075	\$ 18,086	\$ (516,989)
Total Revenues	<u>535,075</u>	<u>535,075</u>	<u>18,086</u>	<u>(516,989)</u>
Expenditures				
Current				
General government	193,775	193,775	254,052	(60,277)
Physical environment	33,800	33,800	29,160	4,640
Culture and recreation	<u>307,500</u>	<u>307,500</u>	<u>159,567</u>	<u>147,933</u>
Total Expenditures	<u>535,075</u>	<u>535,075</u>	<u>442,779</u>	<u>92,296</u>
Net change in fund balances	-	-	(424,693)	(609,285)
Fund Balances - October 1, 2014	<u>-</u>	<u>-</u>	<u>(3,167,281)</u>	<u>(3,167,281)</u>
Fund Balances - September 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,591,974)</u>	<u>\$ (3,776,566)</u>

See accompanying notes to financial statements.

Tern Bay Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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 Tern Bay Community Development District (the "District") was established on September 15, 2004 pursuant to Chapter 190, Florida Statutes (the "Act"), and by The Florida Land and Water Adjudicatory Commission Chapter 42VV-1.001-1.003. The Act provides among other things, the power to manage basic services for community development, the 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 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 Supervisors are elected on an at large basis by the owners of the property within the District. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The District does have a component unit that is not presented.

As required by GAAP, these financial statements present the Tern Bay 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 by Tern Bay Community Development District Acquisitions, LLC, the Governmental Accounting Standards Board the District has identified component unit that is not presented.

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

Tern Bay Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

a. Government-wide Financial Statements

Government-wide financial statements report all non-fiduciary information about the reporting government as a whole. These statements include 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.

Governmental Funds

The District classifies fund balance according to 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.

Tern Bay Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds (Continued)

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.

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.

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.

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.

Tern Bay Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds (Continued)

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.

3. Basis of Presentation

a. Governmental Major 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 Series 2005 Bonds.

Capital Projects Fund - The Capital Projects Fund accounts for the financial resources to be used in the acquisition or construction of major infrastructure within the District financed with the Series 2005 Bonds.

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, Deferred Outflow of Resources, Liabilities, and Net Position or Equity

a. Cash and Investments

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

Tern Bay Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Assets, Deferred Outflow of Resources, Liabilities, and Net Position or Equity (Continued)

a. Cash and Investments (Continued)

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.

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.

b. Restricted Assets

Certain net positions 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 infrastructure and construction in progress, 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 one year. The valuation basis for all assets is historical cost.

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

**Tern Bay Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**4. Assets, Deferred Outflow of Resources, Liabilities, and Net Position or Equity
(Continued)**

c. Capital Assets (Continued)

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

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

Equipment	10-20 years
Infrastructure	25 years

d. 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 straight-line or effective interest 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.

e. Budgets

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

**Tern Bay Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015**

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 (\$45,543,270) differs from “net position” of governmental activities (\$33,920,167) 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 infrastructure 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.

Land	\$ 7,428,992
Construction in progress	37,990,507
Total	<u>\$ 45,419,499</u>

Long-term debt transactions

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

Bonds payable	\$ <u>(28,825,000)</u>
---------------	------------------------

Accrued interest

Accrued liabilities in the Statement of Net Position differ from the amount reported in governmental funds due to the accrued interest on bonds and matured interest.

Accrued interest	\$ <u>(4,971,396)</u>
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**Tern Bay Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015**

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

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

The “net change in fund balances” for government funds (\$27,406,932) differs from the “change in net position” for governmental activities (\$(4,271,842)) 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.

Long-term debt transactions

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 maturities	<u>\$ 24,300,000</u>
---------------------------	----------------------

Other debt transactions

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

Net decrease in deferred inflow of resources	\$ (23,901)
Net increase in accrued interest payable	<u>(1,141,009)</u>
	<u>\$ (1,164,910)</u>

NOTE C - CASH AND INVESTMENTS

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk; however, they follow the provisions of Chapter 280, Florida Statutes regarding deposits and investments. As of September 30, 2015, the District's bank balance was \$125,335 and the carrying value was \$127,395. 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.

**Tern Bay Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015**

NOTE C - CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk – Deposits (Continued)

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

Investment	Maturities	Fair Value
Managed Money Market account	N/A	\$1,423,703
Total		\$1,423,703

Investments

The District's investment policy allows management to invest funds in investments permitted under Section 218.415, Florida Statutes.

Interest Rate Risk

The District monitors investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District's investments are limited by State statutory requirements. As of September 30, 2015, the District did not own any investments which were rated.

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one issuer. 100% of the District's investments are invested in Managed Money Market accounts.

The types of deposits and investments and their level of risk exposure as of September 30, 2015 were typical of these items during the fiscal year then ended. The District considers any decline in fair value for certain investments to be temporary. In addition, the District has the ability to hold investments until its maturity date if the fair value is less than cost. The District's investments are recorded at fair value.

**Tern Bay Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015**

NOTE D – CAPITAL ASSETS

In 2005, the total projected cost of the infrastructure improvements was previously estimated at \$69.9 million, of which approximately \$47.5 million was to be funded with proceeds from Series 2005 bonds. The District does not currently have an estimated cost to complete the project. Any estimate would be subject to change based on the timing of when the project is to be completed as well as the cost associated with the ongoing deterioration of the existing infrastructure.

Additionally, any new developer may make changes to the project as it was originally planned. The District will convey certain infrastructure improvements to other governmental entities upon completion of the project.

The payments for certain prior year additions are being disputed by the District and are included in account payable on the Balance Sheet – Governmental Funds. The outcome of this dispute is uncertain at this time.

The following is a summary of changes in the capital assets for the year ended September 30, 2015.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated				
Land	\$ 7,428,992	\$ -	\$ -	\$ 7,428,992
Infrastructure under construction	37,990,507	-	-	37,990,507
Total capital assets, not being depreciated	<u>45,419,499</u>	<u>-</u>	<u>-</u>	<u>45,419,499</u>
Governmental activities capital assets	<u>\$ 45,419,499</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,419,499</u>

NOTE E – LONG-TERM DEBT

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

Long-term debt at October 1, 2014	\$ 53,125,000
Principal payments	<u>(24,300,000)</u>
Long-term debt at September 30, 2015	<u>\$ 28,825,000</u>

**Tern Bay Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015**

NOTE E – LONG-TERM DEBT (CONTINUED)

District debt is comprised of the following at September 30, 2015:

Special Assessment Refunding Bond

\$33,280,000 Series 2008 Term Bonds maturing through 2037, interest at 5.37%, collateralized by the pledged revenues of special assessments levied against the benefited property owners, payable May 1 and November 1. As of September 30, 2015, \$27,630,000 of matured bonds have not been paid.

\$ 28,825,000

Bond

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirement as defined in the indenture. The debt service reserve requirement has not been met for the fiscal year ended September 30, 2015.

The reserve account funds were substantially exhausted to fund the November 2008 bond payment and have not been replenished as of the date of this report. The use of reserve funds was a result of unpaid debt service assessments to the District which is indicative of the ongoing financial challenges of the District. After exhausting its reserve funds to pay the November 2008 bond interest payment, the District has failed to make any subsequent debt service payments. As a result, a debt service liability and accrued interest totaling approximately \$3.3 million and \$16.2 million, respectively, has been recorded in the accompanying Balance Sheet – Governmental Funds. Subsequent to the year ended September 30, 2015, the District failed to make the November 2015 debt service payment. The District was not in compliance with the requirements of the Bond indenture as of the date of this report.

Year Ending September 30,	Principal	Interest	Total
2016	\$ 705,000	\$ 1,549,344	\$ 2,254,344
2017	745,000	1,511,450	2,256,450
2018	785,000	1,471,406	2,256,406
2019	825,000	1,429,213	2,254,213
2020	870,000	1,384,869	2,254,869
2021-2025	5,135,000	6,168,081	11,303,081
2026-2030	6,725,000	4,626,531	11,351,531
2031-2035	8,800,000	2,607,950	11,407,950
2036-2037	4,235,000	344,537	4,579,537
Totals	<u>\$ 28,825,000</u>	<u>\$ 21,093,381</u>	<u>\$ 49,918,381</u>

Tern Bay Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE F – SPECIAL ASSESSMENT REVENUES

Special assessment revenues recognized for the 2014-2015 fiscal year were levied in July 2014. All assessments are collected by the Tax Collector and are due and payable on November 1. Per Section 197.162, Florida Statutes discounts are allowed for early payment at the rate of 4% in November, 3% in December, 2% in January and 1% in February. Assessments paid in March are without discount.

All unpaid assessments become delinquent as of April 1. Virtually all unpaid assessments are collected via the sale of tax certificates on, or prior to, June 1; therefore, there were no material assessments receivable at fiscal year end.

NOTE G – RISK MANAGEMENT

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

NOTE H – PRIOR PERIOD ADJUSTMENT

Net position, was restated as of October 1, 2014 to properly reflect accrued interest on matured debt service payments for prior periods as follows:

Net position, October 1, 2014 as previously reported	\$ (27,045,366)
Interest	<u>2,639,959</u>
Net position October 1, 2014, Restated	<u>\$ (29,684,325)</u>



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

To the Board of Supervisors
Tern Bay Community Development District
Charlotte County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Tern Bay Community Development District, as of and for the year ended September 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated May 3, 2016.

Internal Control Over Financial Reporting

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

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

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

To the Board of Supervisors
Tern Bay Community Development District
Charlotte County, Florida

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tern Bay Community Development District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*.

Prior Year Finding

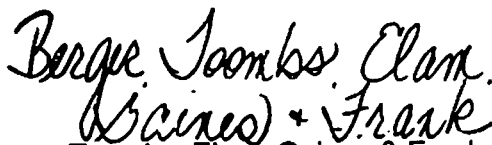
IC2009-01: The District is not in compliance with certain provisions of its Bond Indenture including those relating to 1) collecting assessments to provide payment of debt service, 2) maintaining adequate funds in debt service reserve accounts, and 3) making its semi-annual debt service principal and interest payments.

Response

The District has been involved in the foreclosure process for several years in an effort to collect assessments. If successful, the collection of the assessments will allow the District to replenish the debt service reserve fund, make debt service payments when due and fund the operations 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.



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

May 3, 2016



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MANAGEMENT LETTER

To the Board of Supervisors
Tern Bay Community Development District
Charlotte County, Florida

Report on the Financial Statements

We have audited the financial statements of the Tern Bay Community Development District as of and for the year ended September 30, 2015, and have issued our report thereon dated May 3, 2016.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and our Independent Auditor's Report on an examination conducted in accordance with AICPA Professionals Standards, Section 601 regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in that report, which is dated May 3, 2016, should be considered in conjunction with this Management Letter.

Prior Audit Findings

Section 10.554(1)(i)1, Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Recommendation IC2009-01 was made in the preceding annual audit report and Independent Report on Internal Control over Financial Reporting and Compliance and other matters based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Corrective actions have not been taken address the finding, which was also included in the second preceding fiscal year audit report.

To the Board of Supervisors
Tern Bay Community Development District

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government 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 did meet conditions described in Section 218.503(1)(a), Florida Statutes. The District has not made any principal and interest payments since November 2008 through the date of this report as a result of a lack of funds. The financial emergency conditions met were a result of deteriorating financial conditions. Such deteriorating financial conditions are further discussed below. The District's response to these findings is presented on page 29.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures and as a result, it was determined that a deteriorating financial condition exists with respect to the District. As discussed in Note E to the financial statements, the Developer of Tern Bay has abandoned the development and the District. For the year ended September 30, 2015 and through the date of this report, the District did not receive any assessment amounts from the Developer or any other significant landowner and has not made any principal and interest payments since November 2008 through the date of this report. The District has initiated foreclosure on the property formerly owned by the Developer. 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.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Tern Bay Community Development District for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

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

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

To the Board of Supervisors
Tern Bay Community Development District

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

May 3, 2016



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

To the Board of Supervisors
Tern Bay Community Development District
Charlotte County, Florida

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

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

*Berger, Toombs, Elam,
Gaines & Frank*

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May 3, 2016